

OFFERING CIRCULAR



**Banco Comercial Português, S.A.**

(Incorporated with limited liability under the laws of Portugal)

and

**BCP Finance Bank, Ltd.**

(An exempted company incorporated with limited liability under the laws of the Cayman Islands)

**EUR25,000,000,000**

**Euro Note Programme**

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**Arranger**

**UBS Investment Bank**

**Programme Dealers**

ActivoBank

Banca IMI

Banco Santander Totta, S.A.

Barclays

BNP PARIBAS

BofA Merrill Lynch

Citigroup

Credit Suisse

Deutsche Bank

HSBC

J.P. Morgan

Millennium Investment Banking

Morgan Stanley

The Royal Bank of Scotland

UBS Investment Bank

The date of this Offering Circular is 14 August 2014

This offering circular (the “**Offering Circular**”) replaces and supersedes the Offering Circular dated 17 July 2013 describing the Programme (as defined below). Any Notes (as defined below) issued under the Programme on or after the date of this Offering Circular are issued subject to the provisions described herein. This does not affect any Notes already in issue.

This Offering Circular comprises a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC as amended (which includes the amendments made by Directive 2010/73/EU to the extent that such amendments have been implemented in a relevant Member State of the European Economic Area) (the “**Prospectus Directive**”).

Each of BCP Finance and the Bank (each as defined below) accepts responsibility for the information contained in this Offering Circular and the Final Terms for each Tranche (as defined below) of Notes issued under the Programme. To the best of the knowledge of each of BCP Finance and the Bank (each having taken all reasonable care to ensure that such is the case) the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Offering Circular is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see *Documents Incorporated by Reference* below). This Offering Circular shall be read and construed on the basis that such documents are so incorporated and form part of this Offering Circular.

Neither the Trustee (as defined herein) nor any Dealer (as defined below) has separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility is accepted by any Dealer or the Trustee as to the accuracy or completeness of the information contained in this Offering Circular or any other information provided by BCP Finance or the Bank in connection with the Programme. Neither the Trustee nor any Dealer accepts any liability in relation to the information contained in this Offering Circular or any other information provided by BCP Finance or the Bank in connection with the Programme.

No person is or has been authorised to give any information or to make any representation not contained in or consistent with this Offering Circular or any other information supplied in connection with the Programme or the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by BCP Finance, the Bank, any Dealer or the Trustee.

Neither this Offering Circular nor any other information supplied in connection with the Programme or the Notes (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation by BCP Finance, the Bank, any Dealer or the Trustee that any recipient of this Offering Circular or any other information supplied in connection with the Programme should purchase any Notes. Each Investor (as defined below) contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of BCP Finance or the Bank. Neither this Offering Circular nor any other information supplied in connection with the Programme constitutes an offer or invitation by or on behalf of BCP Finance, the Bank, any Dealer or the Trustee to any person to subscribe for or to purchase any Notes.

Under the EUR25,000,000,000 Euro Note Programme (the “**Programme**”), each of Banco Comercial Português, S.A. (the “**Bank**”, “**BCP**”, “**Banco Comercial Português**” or “**Millennium bcp**”), acting either through its head office or through its Macao branch, and BCP Finance Bank, Ltd. (“**BCP Finance**” and, together with the Bank in its capacity as an issuer of Notes under the Programme, the “**Issuers**” and each an “**Issuer**”) may from time to time issue notes in bearer form (“**Bearer Notes**”) denominated in any currency agreed between the Issuer of such Notes (the “**relevant Issuer**”) and the relevant Dealer (as defined herein). The payment of all amounts payable in respect of Notes issued by BCP Finance will be unconditionally and irrevocably guaranteed by the Bank acting through its Macao branch only if so indicated in the applicable Final Terms (as defined herein).

In addition, the Bank acting through its head office may issue Notes in book entry form (“**Book Entry Notes**”, and together with the Bearer Notes, the “**Notes**”, which expression shall include Senior Notes and Subordinated Notes (each as defined below)) that will be held through Interbolsa - Sociedade Gestora de Sistemas

de Liquidação e de Sistemas Centralizados de Valores Mobiliários, S.A. (“**Interbolsa**”), as management entity of the Portuguese Centralised System of Registration of Securities (“**Central de Valores Mobiliários**”).

Considering that Notes to be issued by BCP Finance are expected to be subscribed primarily by international Investors, such Notes may, whenever indicated in the Final Terms, be guaranteed by the Macao branch of Banco Comercial Português, S.A., which has an international business scope (Banco Comercial Português, S.A., acting through its Macao branch, the “**Guarantor**”). Macao branch acting as Guarantor does not affect the fact that Banco Comercial Português, S.A. is a Portuguese entity and that Investors’ rights are against Banco Comercial Português, S.A. only.

The Final Terms for each Tranche of Notes will state whether the Notes of such Tranche are to be (i) senior Notes which, in the case of Notes issued by BCP Finance, will, if guaranteed, be guaranteed on an unsubordinated basis (“**Senior Notes**”) or (ii) subordinated Notes which, in the case of Notes issued by BCP Finance, will, if guaranteed, be guaranteed on a subordinated basis (“**Subordinated Notes**”).

The maximum aggregate nominal amount of all Notes from time to time outstanding will not exceed EUR25,000,000,000 (or its equivalent in other currencies calculated as described herein).

Notes issued by BCP Finance with a maturity of less than one year will, if proceeds of the issue are accepted in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits under Section 19 of the Financial Services and Markets Act 2000 unless they are issued to a limited class of professional Investors and have a denomination of at least £100,000 or its equivalent.

The Notes will be issued on a continuing basis to one or more of the Programme Dealers or Issue Dealers (each as defined herein) appointed under the Programme from time to time. The Programme Dealers and the Issue Dealers are herein together referred to as the “**Dealers**” and references to a “**Dealer**” are to a Programme Dealer or, as the case may be, an Issue Dealer. References to the “**relevant Dealer**” are references to the Dealer or Dealers with whom the relevant Issuer has agreed or proposes to agree the terms of an issue of Notes under the Programme.

**An investment in Notes issued under the Programme involves certain risks. For a discussion of these risks see “Risk Factors” below.**

This Offering Circular has been approved by the Central Bank of Ireland (the “**Central Bank**”), as competent authority under the Prospectus Directive. The Central Bank only approves this Offering Circular as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Such approval relates only to Notes which are to be admitted to trading on the regulated market of the Irish Stock Exchange (the “**Regulated Market**”) or other regulated markets for the purposes of Directive 2004/39/EC.

This Offering Circular, as approved and published by the Central Bank, in accordance with the requirements of the Prospectus Directive, comprises a base prospectus in respect of all Notes for the purpose of giving information with regard to Notes issued under the Programme during the period of 12 months after the date hereof. Application has been made to the Irish Stock Exchange for Notes issued under the Programme to be admitted to its Official List (the “**Official List**”) and trading on the Regulated Market. The Issuer may also issue unlisted Notes and/or Notes not admitted to trading on any market or admitted to trading on any other market which is not a regulated market for the purposes of Directive 2004/39/EC.

This Offering Circular comprises listing particulars (the “**Listing Particulars**”) for the purposes of giving information with regard to the issue of Notes having a maturity of less than 365 days as commercial paper under the Programme during the period of 12 months after the date hereof. References throughout this document to Offering Circular shall be deemed to read Listing Particulars for such purpose. Application will be made to the Irish Stock Exchange for such Notes to be admitted to listing and trading on the Irish Stock Exchange’s regulated market as commercial paper. The issue of Notes having a maturity of less than 365 days as commercial paper under the Programme falls outside the scope of the Prospectus Directive and the Listings Particulars and Final Terms prepared for any such issue have not been approved or reviewed by the Central Bank.

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and certain other information which is applicable to each Tranche (as defined under *Terms and Conditions of the Notes*) of Notes will be set out in a final terms document (the “**Final Terms**”) which will be delivered to the Central Bank and, if admitted to trading on the Regulated Market, to the Irish Stock Exchange. Copies of Final Terms in relation to Notes to be listed on the Irish Stock Exchange will also be published on the website of Irish Stock Exchange ([www.ise.ie](http://www.ise.ie)).

The Programme has been rated “B1/NP” (in respect of Notes issued on a senior basis (“**Senior Notes**”) with a maturity of more than one year and Senior Notes with a maturity of one year or less, respectively) and “Caa3” (in respect of Notes issued on a subordinated basis (“**Subordinated Notes**”)) by Moody’s Investors Service España, S.A. (“**Moody’s**”), “B+/B” (in respect of Senior Notes with a maturity of more than one year and Senior Notes with a maturity of one year or less, respectively) and “CCC” (in respect of Subordinated Notes) by Standard & Poor’s Credit Market Services Europe Limited (“**Standard & Poor’s**”), and “BB+/B” (in respect of Senior Notes with a maturity of more than one year and Senior Notes with a maturity of one year or less, respectively) by Fitch Ratings Limited (“**Fitch**”) and “BBB (low)/R-2” (middle) (in respect of Senior Notes with a maturity of more than one year and Senior Notes with a maturity of one year or less, respectively) and “BB” (in respect of Subordinated Notes) by DBRS Inc. (“**DBRS**”). The Programme has not been rated in respect of Senior Notes and Subordinated Notes issued by BCP Finance which are not guaranteed by the Bank acting through its Macao branch. Each of Moody’s, Standard & Poor’s and Fitch is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended) (the “**CRA Regulation**”). As such Moody’s, Standard & Poor’s and Fitch are included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation. DBRS is not established in the European Union and is not registered in accordance with the CRA Regulation, but the ratings it has assigned to Banco Comercial Português, S.A. are endorsed by DBRS Ratings Limited for use in the European Union. DBRS Ratings Limited is a rating agency established in the European Union and registered in accordance with the CRA Regulation. Tranches of Notes issued under the Programme may be rated or unrated. Where a Tranche of Notes is rated, such rating will be disclosed in the Final Terms and will not necessarily be the same as the ratings assigned to the Programme. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. Please also refer to *Credit ratings assigned to the Issuer, the Guarantor or any Notes may not reflect all the risks associated with an investment in those Notes* in the Risk Factors section of this Offering Circular.

All financial information in this Offering Circular relating to the Bank for the years ended on 31 December 2012 and 31 December 2013 has been extracted without material adjustment from the audited financial statements of the Bank for the financial years then ended.

The Book Entry Notes will be registered by Interbolsa. Each person shown in the individual securities accounts held with an authorised financial intermediary institution entitled to hold control accounts with the Central de Valores Mobiliários on behalf of their customers (and includes any depositary banks appointed by Euroclear Bank SA/NV (“**Euroclear**”) and Clearstream Banking, société anonyme (“**Clearstream, Luxembourg**”) for the purpose of holding accounts on behalf of Euroclear and/or Clearstream, Luxembourg, respectively) (each an “**Affiliated Member**”) as having an interest in the Book Entry Notes shall be considered the holder of the principal amount of Notes recorded. One or more certificates in relation to the Book Entry Notes (each a “**Certificate**”) will be delivered by the relevant Affiliated Member of Interbolsa in respect of its registered holding of Notes upon the request by the relevant holder of Book Entry Notes and in accordance with that Affiliated Member’s procedures and pursuant to article 78 of the Portuguese Securities Code (*Código dos Valores Mobiliários*). For further details of clearing and settlement of the Notes issued under the Programme see *Clearing and Settlement* below.

Neither the delivery of this Offering Circular nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning BCP Finance and the Bank is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing such information. The Dealers and the Trustee expressly do not undertake to review the financial condition or affairs of BCP Finance or the Bank during the life of the Programme or to advise any Investor in the Notes of any information coming to their

attention. To the extent that any information received from BCP Finance or the Bank is material non-public information, each of the Dealers and the Trustee have expressly agreed to maintain its confidentiality until the information is public. Investors should review, amongst other things, the most recent financial statements, if any, of BCP Finance and the Bank when deciding whether or not to purchase any Notes.

**IMPORTANT INFORMATION RELATING TO PUBLIC OFFERS OF NOTES WHERE  
THERE IS NO EXEMPTION FROM THE OBLIGATION UNDER THE PROSPECTUS  
DIRECTIVE TO PUBLISH A PROSPECTUS**

**Restrictions on Public Offers of Notes in relevant Member States where there is no exemption from the obligation under the Prospectus Directive to publish a prospectus**

Certain Tranches of Notes with a denomination of less than EUR 100,000 (or its equivalent in any other currency) may be offered in circumstances where there is no exemption from the obligation under the Prospectus Directive to publish a prospectus. Any such offer is referred to as a “**Public Offer**”. This Offering Circular has been prepared on a basis that permits Public Offers of Notes in each Member State in relation to which the relevant Issuer (hereunder referred to as the “**Issuer**”) has given its consent, as specified in the applicable Final Terms (each specified Member State a “**Public Offer Jurisdiction**” and together the “**Public Offer Jurisdictions**”). Any person making or intending to make a Public Offer of Notes on the basis of this Offering Circular must do so only with the Issuer’s consent to the use of this Offering Circular as provided under *Consent given in accordance with Article 3.2 of the Prospectus Directive* and provided such person complies with the conditions attached to that consent.

Save as provided above, none of the Issuers, the Guarantor and any Dealer have authorised, nor do they authorise, the making of any Public Offer of Notes in circumstances in which an obligation arises for the relevant Issuer or any Dealer to publish or supplement a prospectus for such offer.

**Consent given in accordance with Article 3.2 of the Prospectus Directive**

In the context of a Public Offer of such Notes, the Issuers and the Guarantor (as the case may be) accept responsibility, in each of the Public Offer Jurisdictions, for the content of this Offering Circular in relation to any person (an “**Investor**” or collectively the “**Investors**”) who purchases any Notes in a Public Offer made by a Dealer or an Authorised Offeror (as defined below), where that offer is made during the Offer Period specified in the applicable Final Terms and provided that the conditions attached to that giving of consent for the use of this Offering Circular are complied with. The consent and conditions attached to it are set out under *Consent and Common Conditions to Consent* below.

None of the Issuer, the Guarantor or any Dealer makes any representation as to the compliance by an Authorised Offeror with any applicable conduct of business rules or other applicable regulatory or securities law requirements in relation to any Public Offer and none of the Issuer or any Dealer has any responsibility or liability for the actions of that Authorised Offeror.

**Except in the circumstances set out in the following paragraphs, none of the Issuers nor the Guarantor has authorised the making of any Public Offer by any offeror and neither the relevant Issuer nor the Guarantor has consented to the use of this Offering Circular by any other person in connection with any Public Offer of Notes. Any Public Offer made without the consent of the relevant Issuers is unauthorised and none of the Issuer, the Guarantor and, for the avoidance of doubt, any Dealer accepts any responsibility or liability in relation to such offer or for the actions of the persons making any such unauthorised offer.** If, in the context of a Public Offer, an Investor is offered Notes by a person which is not an Authorised Offeror, the Investor should check with that person whether anyone is responsible for this Offering Circular for the purposes of the Public Offer and, if so, who that person is. If the Investor is in any doubt about whether it can rely on this Offering Circular and/or who is responsible for its contents it should take legal advice.

***Consent***

In connection with each Tranche of Notes and subject to the conditions set out below under *Common Conditions to Consent*:

***Specific Consent***

- (a) the relevant Issuers’ consent to the use of this Offering Circular (as supplemented as at the relevant time, if applicable) in connection with a Public Offer of such Notes by:

- (i) the relevant Dealer(s) or Manager(s) specified in the applicable Final Terms;
- (ii) any financial intermediaries specified in the applicable Final Terms;
- (iii) any other financial intermediary appointed after the date of the applicable Final Terms and whose name is published on the Bank's website ([www.millenniumbcp.pt](http://www.millenniumbcp.pt)) and identified as an Authorised Offeror in respect of the relevant Public Offer; and

*General Consent*

- (b) if (and only if)

(c) PART **B** of the applicable Final Terms specifies “General Consent” as “Applicable”, the relevant Issuer hereby offers to grant its consent to the use of this Offering Circular (as supplemented as at the relevant time, if applicable) in connection with a Public Offer of Notes by any financial intermediary which satisfies the following conditions:

- (i) it is authorised to make such offers under applicable legislation implementing the Markets in Financial Instruments Directive (Directive 2004/39/EC); and
- (ii) it accepts the Issuer’s offer to grant consent to the use of this Offering Circular by publishing on its website the following statement (with the information in square brackets completed with the relevant information) (the “**Acceptance Statement**”):

*“We, [insert legal name of financial intermediary], refer to the offer of [insert title of relevant Notes] (the “**Notes**”) described in the Final Terms dated [insert date] (the “**Final Terms**”) published by [Banco Comercial Português, S.A./BCP Finance Bank, Ltd.] (the “**Issuer**”). In consideration of the Issuer offering to grant its consent to our use of the Offering Circular (as defined in the Final Terms) in connection with the offer of the Notes in [specify Member State(s)] during the Offer Period and subject to the other conditions to such consent, each as specified in the Offering Circular, we hereby accept the offer by the Issuer in accordance with the Authorised Offeror Terms (as specified in the Offering Circular) and confirm that we are using the Offering Circular accordingly.”*

The “**Authorised Offeror Terms**”, being the terms to which the relevant financial intermediary agrees in connection with using this Offering Circular, are that the relevant financial intermediary:

- (A) will, and it agrees, represents, warrants and undertakes for the benefit of the relevant Issuer, the Guarantor (as the case may be) and the relevant Dealer that it will, at all times in connection with the relevant Public Offer:

- I. act in accordance with, and be solely responsible for complying with, all applicable laws, rules, regulations and guidance of any applicable regulatory bodies (the “**Rules**”), from time to time including, without limitation and in each case, Rules relating to both the appropriateness or suitability of any investment in the Notes by any person and disclosure to any potential Investor;
- II. comply with the restrictions set out under *Subscription and Sale and Transfer Restrictions* in this Offering Circular which would apply as if it were a Dealer;
- III. ensure that any fee (and any other commissions or benefits of any kind) or rebate received or paid by that financial intermediary in relation to the offer or sale of the Notes does not violate the Rules and, to the extent required by the Rules, is fully and clearly disclosed to Investors or potential Investors;
- IV. hold all licences, consents, approvals and permissions required in connection with solicitation of interest in, or offers or sales of, the Notes under the Rules;
- V. comply with applicable anti-money laundering, anti-bribery, anti-corruption and *know your client* Rules (including, without limitation, taking appropriate steps, in compliance with such Rules, to establish and document the identity of each potential Investor prior to initial investment in any Notes by the Investor), and will not permit any application for Notes in circumstances where the financial intermediary has any suspicions as to the source of the application monies;
- VI. retain Investor identification records for at least the minimum period required under applicable Rules, and shall, if so requested and to the extent permitted by the Rules, make such records available to the relevant Dealer, the Issuer and the Guarantor (as the case may be) or directly to the appropriate authorities with jurisdiction over the Issuer, the Guarantor and/or the relevant Dealer in order to enable the Issuer, the Guarantor and/or the relevant Dealer to comply with anti-money laundering, anti-bribery, anti-corruption and *know your client* Rules applying to the Issuer, the Guarantor and/or the relevant Dealer;



VII. ensure that it does not, directly or indirectly, cause the Issuer, the Guarantor or the relevant Dealer to breach any Rule or subject the Issuer, the Guarantor or the relevant Dealer to any requirement to obtain or make any filing, authorisation or consent in any jurisdiction;

VIII. immediately inform the Issuer, the Guarantor and the relevant Dealer if at any time it becomes aware or suspects that it is or may be in violation of any Rules and take all appropriate steps to remedy such violation and comply with such Rules in all respects;

IX. comply with the conditions to the consent referred to under *Common Conditions to Consent* below and any further requirements or other Authorised Offeror Terms relevant to the Public Offer as specified in the applicable Final Terms;

X. make available to each potential Investor in the Notes this Offering Circular (as supplemented as at the relevant time, if applicable), the applicable Final Terms and any applicable information booklet provided by the Issuer for such purpose, and not convey or publish any information that is not contained in or entirely consistent with this Offering Circular and the applicable Final Terms;

XI. if it conveys or publishes any communication (other than this Offering Circular or any other materials provided to such financial intermediary by or on behalf of the Issuer for the purposes of the relevant Public Offer) in connection with the relevant Public Offer, it will ensure that such communication (A) is fair, clear and not misleading and complies with the Rules, (B) states that such financial intermediary has provided such communication independently of the Issuer, that such financial intermediary is solely responsible for such communication and that none of the Issuer, the Guarantor and the relevant Dealer accepts any responsibility for such communication and (C) does not, without the prior written consent of the Issuer, the Guarantor or the relevant Dealer (as applicable), use the legal or publicity names of the Issuer, the Guarantor or the relevant Dealer or any other name, brand or logo registered by an entity within its respective groups or any material over which any such entity retains a proprietary interest, except to describe the Issuer as issuer of the relevant Notes and the Guarantor as the guarantor of the relevant Notes on the basis set out in this Offering Circular;

XII. ensure that no holder of Notes or potential Investor in Notes shall become an indirect or direct client of the Issuer, the Guarantor (as the case may be) or the relevant Dealer for the purposes of any applicable Rules from time to time, and to the extent that any client obligations are created by the relevant financial intermediary under any applicable Rules, then such financial intermediary shall perform any such obligations so arising;

XIII. co-operate with the Issuer, the Guarantor (as the case may be) and the relevant Dealer in providing such information (including, without limitation, documents and records maintained pursuant to paragraph (VI) above) upon written request from the Issuer, the Guarantor or the relevant Dealer as is available to such financial intermediary or which is within its power and control from time to time, together with such further assistance as is reasonably requested by the Issuer, the Guarantor or the relevant Dealer:

(i) in connection with any request or investigation by the Central Bank or any other regulator in relation to the Notes, the Issuer, the Guarantor (as the case may be) or the relevant Dealer; and/or

(ii) in connection with any complaints received by the Issuer, the Guarantor (as the case may be) and/or the relevant Dealer relating to the Issuer, the Guarantor and/or the relevant Dealer or another Authorised Offeror including, without limitation, complaints as defined in rules published by the Central Bank and/or any other regulator of competent jurisdiction from time to time; and/or

(iii) which the Issuer, the Guarantor (as the case may be) or the relevant Dealer may reasonably require from time to time in relation to the Notes and/or so as to allow the Issuer, the Guarantor or the relevant Dealer fully to comply with its own legal, tax and regulatory requirements,

in each case, as soon as is reasonably practicable and, in any event, within any time frame set by any such regulator or regulatory process;

XIV. during the period of the initial offering of the Notes: (i) only sell the Notes at the Issue Price specified in the applicable Final Terms (unless otherwise agreed with the relevant Dealer); (ii) only sell the Notes for settlement on the Issue Date specified in the applicable Final Terms; (iii) not appoint any sub-distributors (unless otherwise agreed with the relevant Dealer); (iv) not pay any fee or remuneration or commissions or benefits to any third parties in relation to the offering or sale of the Notes (unless otherwise agreed with the relevant Dealer); and (v) comply with such other rules of conduct as may be reasonably required and specified by the relevant Dealer; and

XV. either (i) obtain from each potential Investor an executed application for the Notes, or (ii) keep a record of all requests such financial intermediary (x) makes for its discretionary management clients, (y) receives from its advisory clients and (z) receives from its execution-only clients, in each case prior to making any order for the Notes on their behalf, and in each case maintain the same on its files for so long as is required by any applicable Rules;

(B) agrees and undertakes to indemnify each of the relevant Issuer, the Guarantor (as the case may be) and the relevant Dealer (in each case on behalf of such entity and its respective directors, officers, employees, agents, affiliates and controlling persons) against any losses, liabilities, costs, claims, charges, expenses, actions or demands (including reasonable costs of investigation and any defence raised thereto and counsel's fees and disbursements associated with any such investigation or defence) which any of them may incur or which may be made against any of them arising out of or in relation to, or in connection with, any breach of any of the foregoing agreements, representations, warranties or undertakings by such financial intermediary, including (without limitation) any unauthorised action by such financial intermediary or failure by such financial intermediary to observe any of the above restrictions or requirements or the making by such financial intermediary of any unauthorised representation or the giving or use by it of any information which has not been authorised for such purposes by the Issuer, the Guarantor or the relevant Dealer; and

(C) agrees and accepts that:

I. the contract between the Issuer and the financial intermediary formed upon acceptance by the financial intermediary of the Issuer's offer to use the Offering Circular with its consent in connection with the relevant Public Offer (the "**Authorised Offeror Contract**"), and any non-contractual obligations arising out of or in connection with the Authorised Offeror Contract, shall be governed by, and construed in accordance with, English law;

II. subject to (IV) below, the English courts have exclusive jurisdiction to settle any dispute arising out of or in connection with the Authorised Offeror Contract (including any dispute relating to any non-contractual obligations arising out of or in connection with the Authorised Offeror Contract) (a "**Dispute**") and the Issuer and the financial intermediary submit to the exclusive jurisdiction of the English courts;

III. for the purposes of (C)(II) and (IV), the Issuer and the financial intermediary waives any objection to the English courts on the grounds that they are an inconvenient or inappropriate forum to settle any dispute;

IV. to the extent allowed by law, the Issuer, the Guarantor (as the case may be) and each relevant Dealer may, in respect of any Dispute or Disputes, take (i) proceedings in any other court with jurisdiction; and (ii) concurrent proceedings in any number of jurisdictions; and

V. the Guarantor (as the case may be) and each relevant Dealer will, pursuant to the Contracts (Rights of Third Parties) Act 1999, be entitled to enforce those provisions of the Authorised Offeror Contract which are, or are expressed to be, for their benefit, including the agreements, representations, warranties, undertakings and indemnity given by the financial intermediary pursuant to the Authorised Offeror Terms.

The financial intermediaries referred to in paragraphs (a)(ii), (a)(iii) and (b) above are together the “**Authorised Offerors**” and each an “**Authorised Offeror**”.

Any Authorised Offeror falling within paragraph (b) above who meets the conditions set out in paragraph (b) and the other conditions stated in *Common Conditions to Consent* below and who wishes to use this Offering Circular in connection with a Public Offer is required, for the duration of the relevant Offer Period, to publish on its website the Acceptance Statement.

#### ***Common Conditions to Consent***

The conditions to the Issuer’s consent to the use of this Offering Circular in the context of the relevant Public Offer are (in addition to the conditions described in paragraph (b) above if

PART **B** of the applicable Final Terms specifies “General Consent” as “Applicable”) that such consent:

- (i) is only valid during the Offer Period specified in the applicable Final Terms; and
- (ii) only extends to the use of this Offering Circular to make Public Offers of the relevant Tranche of Notes in Ireland, Portugal and the United Kingdom under the Programme, as specified in the applicable Final Terms.

The consent referred to above relates to Offer Periods (if any) occurring within 12 months from the date of this Offering Circular.

The only relevant Member States which may, in respect of any Tranche of Notes, be specified in the applicable Final Terms (if any relevant Member States are so specified) as indicated in (ii) above, will be Ireland, Portugal and the United Kingdom under the Programme, and accordingly each Tranche of Notes may only be offered to Investors as part of a Public Offer in Ireland, Portugal and the United Kingdom under the Programme, as specified in the applicable Final Terms, or otherwise in circumstances in which no obligation arises for the Issuer or any Dealer to publish or supplement a prospectus for such offer.

#### **ARRANGEMENTS BETWEEN INVESTORS AND AUTHORISED OFFERORS**

**AN INVESTOR INTENDING TO PURCHASE OR PURCHASING ANY NOTES IN A PUBLIC OFFER FROM AN AUTHORISED OFFEROR WILL DO SO, AND OFFERS AND SALES OF SUCH NOTES TO AN INVESTOR BY SUCH AUTHORISED OFFEROR WILL BE MADE, IN ACCORDANCE WITH THE TERMS AND CONDITIONS OF THE OFFER IN PLACE BETWEEN SUCH AUTHORISED OFFEROR AND SUCH INVESTOR INCLUDING ARRANGEMENTS IN RELATION TO PRICE, ALLOCATIONS, EXPENSES AND SETTLEMENT. THE ISSUER WILL NOT BE A PARTY TO ANY SUCH ARRANGEMENTS WITH SUCH INVESTORS IN CONNECTION WITH THE PUBLIC OFFER OR SALE OF THE NOTES CONCERNED AND, ACCORDINGLY, THIS OFFERING CIRCULAR AND ANY FINAL TERMS WILL NOT CONTAIN SUCH INFORMATION. THE RELEVANT INFORMATION WILL BE PROVIDED BY THE AUTHORISED OFFEROR AT THE TIME OF SUCH OFFER. NONE OF THE ISSUERS, THE GUARANTOR (AS THE CASE MAY BE) AND, FOR THE AVOIDANCE OF DOUBT, ANY DEALER (EXCEPT WHERE SUCH DEALER IS THE RELEVANT AUTHORISED OFFEROR) HAS ANY RESPONSIBILITY OR LIABILITY TO AN INVESTOR IN RESPECT OF THE INFORMATION DESCRIBED ABOVE.**

## **IMPORTANT INFORMATION RELATING TO THE USE OF THIS OFFERING CIRCULAR AND OFFERS OF NOTES GENERALLY**

This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Offering Circular and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuers, the Guarantor (as may be the case), the Dealers and the Trustee do not represent that this Offering Circular may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, unless specifically indicated to the contrary in the applicable Final Terms, no action has been taken by the relevant Issuer, the Guarantor (as may be the case), the Dealers or the Trustee which is intended to permit a public offering of any Notes or distribution of this Offering Circular in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Each Dealer has represented or, as the case may be, will be required to represent that all offers and sales by it will be made on the terms indicated above. Persons into whose possession this Offering Circular or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Circular and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Offering Circular and the offer or sale of Notes in the United States, the European Economic Area (including the United Kingdom, Portugal and France), Japan and the Cayman Islands, see *Subscription and Sale and Transfer Restrictions* below.

The Notes may not be a suitable investment for all prospective Investors. Each potential Investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential Investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

- (i) has sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Offering Circular or any applicable supplement;
- (ii) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- (iii) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes where the currency for principal or interest payments is different from the potential Investor's currency;
- (iv) understands thoroughly the terms of the Notes and is familiar with the behaviour of financial markets; and
- (v) is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Legal investment considerations may restrict certain investments. The investment activities of certain Investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential Investor should consult its legal advisers to determine whether and to what extent (1) are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

The Notes have not and will not be registered under the United States Securities Act of 1933, as amended, (the “**Securities Act**”) and are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be

offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (see *Subscription and Sale and Transfer Restrictions* below).

All references in this Offering Circular to (i) “**U.S. dollars**”, “**USD**”, “**U.S.\$**”, “**\$**” and “**U.S. cent**” refer to the currency of the United States of America, (ii) “**Sterling**” and “**£**” refer to the currency of the United Kingdom, and (iii) “**Euro**”, “**EUR**” and “**€**” refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union amended from time to time.

This Offering Circular is drawn up in the English language. In case there is any discrepancy between the English text and the Portuguese text, the English text stands approved for the purposes of approval under the Prospectus (Directive 2003/71/EC) Regulations 2005.

In connection with the issue of any Tranche of Notes, one or more relevant Dealers (the “**Stabilising Manager(s)**”) (or persons acting on behalf of any Stabilising Manager(s)) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, will be in compliance with all relevant laws and regulations and may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment shall be conducted by the relevant Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

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## SUMMARY OF THE PROGRAMME

Summaries are made up of disclosure requirements known as “**Elements**”. These Elements are numbered in Sections A - E (A.1 - E.7). This Summary contains all the Elements required to be included in a summary for the Notes, the Issuers and the Guarantor. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements. Even though an Element may be required to be inserted in a summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of “Not Applicable”.

### Section A – Introduction and Warnings

Element	
A.1	<p><b>Warning that:</b></p> <ul style="list-style-type: none"> <li>• This summary should be read as an introduction to the prospectus and the applicable Final Terms;</li> <li>• Any decision to invest in the securities should be based on consideration of the prospectus as a whole by the investor, including any documents incorporated by reference and the applicable Final Terms;</li> <li>• Where a claim relating to information contained in the prospectus and the applicable Final Terms is brought before a court, the plaintiff might, under the national legislation of the Member States, have to bear the costs of translating the prospectus and the applicable Final Terms before the legal proceedings are initiated; and</li> <li>• Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the prospectus or it does not provide, when read together with the other parts of the prospectus, key information in order to aid investors when considering whether to invest in such securities.</li> </ul>
A.2	<p>Certain Tranches of Notes with a denomination of less than EUR 100,000 (or its equivalent in any other currency) may be offered in circumstances where there is no exemption from the obligation under the Prospectus Directive to publish a prospectus. Any such offer is referred to as a “<b>Public Offer</b>”.</p> <p><b><i>Issue-specific summary:</i></b></p> <p>[Not Applicable; the Notes are issued in denominations of at least EUR 100,000 (or its equivalent in any other currency).]</p> <p>[<i>Consent:</i> Subject to the conditions set out below, the Issuer consents to the use of the Offering Circular in connection with a Public Offer of Notes by the Dealers], [names of specific financial intermediaries listed in final terms,] [and] [each financial intermediary whose name is published on the website of Banco Comercial Português, S.A. (www.millenniumbcp.pt) and identified as an Authorised Offeror in respect of the relevant Public Offer] [and any financial intermediary which is authorised to make such offers under [applicable legislation implementing the Markets in Financial Instruments Directive (Directive 2004/39/EC) and publishes on its website the following statement (with the information in square brackets being completed with the relevant information):</p> <p>“We, [insert legal name of financial intermediary], refer to the [insert title of relevant Notes] (the “<b>Notes</b>”) described in</p>

Element	
	<p>the Final Terms dated [insert date] (the “<b>Final Terms</b>”) published by [ ] (the “<b>Issuer</b>”). We hereby accept the offer by the Issuer of its consent to our use of the Offering Circular (as defined in the Final Terms) in connection with the offer of the Notes in accordance with the Authorised Offeror Terms and subject to the conditions to such consent, each as specified in the Offering Circular, and we are using the Offering Circular accordingly.”],</p> <p>(each an “<b>Authorised Offeror</b>”).</p> <p><i>Offer period:</i> The Issuer’s consent referred to above is given for Public Offers of Notes during [offer period for the issue to be specified here] (the “<b>Offer Period</b>”).</p> <p><i>Conditions to consent:</i> The conditions to the Issuer’s consent [(in addition to the conditions referred to above)] are that such consent (a) is only valid during the Offer Period; (b) only extends to the use of this Offering Circular to make Public Offers of the relevant Tranche of Notes in [specify each Relevant Member State in which the particular Tranche of Notes can be offered] and (c) [specify any other conditions applicable to the Public Offer of the particular Tranche, as set out in the Final Terms].</p> <p><b>AN INVESTOR INTENDING TO ACQUIRE OR ACQUIRING ANY NOTES IN A PUBLIC OFFER FROM AN AUTHORISED OFFEROR WILL DO SO, AND OFFERS AND SALES OF SUCH NOTES TO AN INVESTOR BY SUCH AUTHORISED OFFEROR WILL BE MADE, IN ACCORDANCE WITH ANY TERMS AND OTHER ARRANGEMENTS IN PLACE BETWEEN SUCH AUTHORISED OFFEROR AND SUCH INVESTOR INCLUDING AS TO PRICE, ALLOCATIONS AND SETTLEMENT ARRANGEMENTS. THE INVESTOR MUST LOOK TO THE AUTHORISED OFFEROR AT THE TIME OF SUCH OFFER FOR THE PROVISION OF SUCH INFORMATION AND THE AUTHORISED OFFEROR WILL BE RESPONSIBLE FOR SUCH INFORMATION.]</b></p>

## Section B – Issuers and Guarantor

Element	Title	
<b>B.1</b>	Legal and commercial name of the Issuers	<p>[Banco Comercial Português, S.A. (“<b>BCP</b>”)]</p> <p>[BCP Finance Bank, Ltd. (“<b>BCP Finance</b>”),</p> <p>(each an “<b>Issuer</b>” and together the “<b>Issuers</b>”)</p>
<b>B.2</b>	Domicile/ legal form/ legislation/ country of incorporation	<p>BCP is a limited liability company incorporated and domiciled in Portugal under the Portuguese Companies Code and General Framework of Credit Institutions and Financial Companies.</p> <p>BCP Finance is incorporated and domiciled in Cayman as an exempted company for an unlimited duration with limited liability under the laws of the Cayman Islands.</p>
<b>B.4b</b>	Trend information	<p>The volumes in loans and deposits of Portuguese banks and in particular of BCP have been falling based on publicly available data, amid deleveraging of non-financial sectors of the economy, leading to lower demand for credit. In parallel, deposits have been increasing (Source: Bank of Portugal), reflecting the confidence of customers in Portuguese banks, an increase in precautionary savings, due to future uncertainties, and the conversion of off-balance sheet customer funds into deposits, reflecting a reduction in clients’ risk. As a result, the commercial gap has been narrowing gradually, leading to a situation where the credit is almost entirely funded by on-balance sheet customer funds, thereby reducing dependence on the ECB and wholesale funds markets and improving the liquidity position of BCP.</p> <p>Once the constraints that prevent the normal functioning of the markets are</p>

Element	Title	
		<p>overcome, a progressive reduction in the use of ECB funding is expected, offset by debt issuances in the wholesale funds market.</p> <p>The liquidity position of Portuguese banks has benefited from the actions of the ECB, notably the cut in reference rates and the granting of funds at a fixed rate and full allotment adopted for Eurosystem refinancing operations, adding long-term value to refinancing operations and measures affecting collateral eligibility rules and providing the banks with flexibility to manage their liquidity needs. The withdrawal of these unconventional monetary policies should proceed gradually and predictably, to the extent that market functioning normalises.</p> <p>The profitability of Portuguese banks is expected to continue to be depressed in 2014, reflecting lower net interest income and a negative effect in terms of business volumes and the evolution of impairments (Source: Bank of Portugal). Current low levels of interest rates affect the banks' profitability, despite improvements in terms of impairments. The ability to generate capital remains a major challenge to the banking business in the medium term. Although BCP is taking steps to reach its objective of approaching breakeven in Portugal in the second half of 2014, its consolidated results should be constrained by low interest rates, reduced volumes, the cost of hybrid instruments, the cost of liability operations management conducted in 2011 (that in 2013 stood at EUR 131.9 million, net of taxes) and higher impairment charges, partially offset by lower spreads on term deposits, carry trade of sovereign debt securities, results of international operations and cutting costs through further reductions in the number of branches and employees.</p> <p>Basel III rules that came in force in 2014 will require higher capital requirements and a wider range of risk coverage. However, there is a transition period to the new regulatory requirements that will allow this transition to occur smoothly.</p> <p>The new Basel III capital regulatory framework, implemented in the EU through the CRD IV/CRR, demands that tax credits of banks that depend on the use of future profits (in banking, "deferred tax assets") are deducted from their own funds, although banks can only book such taxes for which there is a guarantee of nearly full use or an economic value equal to its book value.</p> <p>The scheme that has now been approved shall apply to expenditures and negative equity variations accounted in tax periods beginning on or after 1 January 2015, as well as to deferred tax assets which are recorded in the annual accounts of the taxpayer for the taxation period preceding that date and to the part of expenditures and negative equity changes that are associated to them.</p> <p>In order to ensure the strengthening of the capital structure of the companies that opt for the scheme that has now been approved, these entities shall mandatorily adopt certain measures aimed at reinforcing their capital, through the issuance of conversion rights tradable in the market.</p> <p>In accordance with the press release published on the website of the Portuguese Parliament (<a href="http://www.parlamento.pt/ActividadeParlamentar/Paginas/DetalheIniciativa.aspx?BID=38542">http://www.parlamento.pt/ActividadeParlamentar/Paginas/DetalheIniciativa.aspx?BID=38542</a>), the approved legislation provides, subject to an optional adhesion regime and possible subsequent waiver thereto, that, under certain assumptions (annual negative net results and liquidation, insolvency or revocation of licence), the deferred tax assets generated from the non-deduction of costs and negative equity variations due to losses from loan impairments and from post-employment benefits</p>

Element	Title																																		
		<p>or long-term employment will be converted into tax credits. Tax credits will be offset against tax debts of the beneficiaries or immediately repayable by the Portuguese Republic, with the offset or reimbursed credits generating a special reserve corresponding to 110% of their amount. The offset and reimbursed credits are intended to be incorporated into the share capital, and rights of conversion into equity will be issued with reference to the market price of the shares and attributed for free to the Portuguese Republic. The shareholders at such date will have a right of acquisition of such conversion rights against the same reference price.</p> <p>The implementation of the single supervisory mechanism under the Banking Union project will involve conducting a thorough review of the major banks by the ECB, covering about 85% of the banking system of the euro area, to reinforce confidence in the soundness and quality of bank's balance sheets in the euro area. This exercise includes three elements: risk assessment for supervisory purposes; analysis of asset quality, in order to increase transparency about the exposure of banks; and a stress test, in order to assess the resilience of banks' balance sheets under adverse scenarios. This exercise should be completed by the time the ECB assumes its supervisory role in November 2014. Following this exercise, the ECB will undertake a unique and comprehensive release of the results and any recommendations in terms of supervisory measures to be applied.</p>																																	
<b>B.5</b>	Description of the Group	<p>BCP is the ultimate parent company of the group (BCP and its subsidiaries together constitute the “<b>Group</b>”).</p> <p>BCP Finance is a wholly-owned indirect subsidiary of BCP.</p>																																	
<b>B.9</b>	Profit forecast or estimate	Not Applicable - No profit forecasts or estimates have been made in the Offering Circular.																																	
<b>B.10</b>	Audit report qualifications	Not Applicable - No qualifications are contained in any audit report included in the Offering Circular.																																	
<b>B.12</b>	<p>Selected historical key financial information:</p> <p><b>BCP</b></p> <p>The table below sets out summary information extracted from BCP's audited financial statements for each of the two years ended 31 December 2012 and 31 December 2013 and from BCP's unaudited financial statements for the three-month period ended 31 March 2014 (including comparative data), respectively:</p> <p style="text-align: center;"><b>Consolidated Income Statement for the years ended 31 December, 2013 and 2012</b></p> <table> <tr> <th></th><th style="text-align: right;"><b>2013</b></th><th style="text-align: right;"><b>2012</b></th></tr> <tr> <th></th><th style="text-align: right;">(Thousands of Euros)</th><th style="text-align: right;">(Thousands of Euros)</th></tr> <tr> <td>Net interest income</td><td style="text-align: right;">848.087</td><td style="text-align: right;">997.960</td></tr> <tr> <td>Net income from banking activities</td><td style="text-align: right;">1.723.286</td><td style="text-align: right;">2.049.923</td></tr> <tr> <td>Total operating income</td><td style="text-align: right;">1.743.788</td><td style="text-align: right;">2.070.016</td></tr> <tr> <td>Operating net (loss) / income</td><td style="text-align: right;">(838.044)</td><td style="text-align: right;">(570.466)</td></tr> <tr> <td>Net (loss) / income before income tax</td><td style="text-align: right;">(812.543)</td><td style="text-align: right;">(539.000)</td></tr> <tr> <td>(Loss) / income after income tax from continuing operations</td><td style="text-align: right;">(601.744)</td><td style="text-align: right;">(406.943)</td></tr> <tr> <td>(Loss) / income arising from discontinued operations</td><td style="text-align: right;">(45.004)</td><td style="text-align: right;">(730.267)</td></tr> <tr> <td>Net loss attributable to Shareholders of the Bank</td><td style="text-align: right;">(740.450)</td><td style="text-align: right;">(1.219.053)</td></tr> <tr> <td>Net loss for the year</td><td style="text-align: right;">(646.748)</td><td style="text-align: right;">(1.137.210)</td></tr> </table>			<b>2013</b>	<b>2012</b>		(Thousands of Euros)	(Thousands of Euros)	Net interest income	848.087	997.960	Net income from banking activities	1.723.286	2.049.923	Total operating income	1.743.788	2.070.016	Operating net (loss) / income	(838.044)	(570.466)	Net (loss) / income before income tax	(812.543)	(539.000)	(Loss) / income after income tax from continuing operations	(601.744)	(406.943)	(Loss) / income arising from discontinued operations	(45.004)	(730.267)	Net loss attributable to Shareholders of the Bank	(740.450)	(1.219.053)	Net loss for the year	(646.748)	(1.137.210)
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Element	Title		
	Consolidated Balance Sheet as at 31 December, 2013 and 2012		
		2013	2012
		(Thousands of Euros)	
	Total Assets	82.007.033	89.744.039
	Total Liabilities	78.731.225	85.743.851
	Total Equity attributable to Shareholders of the Bank	2.583.207	3.372.174
	Total Equity	3.275.808	4.000.188
	Total Liabilities and Equity	82.007.033	89.744.039
	Consolidated Income Statement for the three months period ended 31 March, 2014 and 2013		
		31 March 2014	31 March 2013
		(Thousands of Euros)	
	Net interest income	236.393	179.222
	Net income from banking activities	503.252	400.647
	Total operating income	507.300	405.456
	Operating net loss	(27.401)	(128.525)
	Net loss before income tax	(20.430)	(115.879)
	(Loss) / income after income tax from continuing operations	(14.981)	(88.053)
	(Loss) / income arising from discontinued operations	(346)	(43.774)
	Net loss attributable to Shareholders of the Bank	(40.730)	(151.962)
	Net loss for the period	(15.327)	(131.827)
	Consolidated Balance Sheet as at 31 March, 2014 and 2013		
		31 March 2014	31 March 2013
		(Thousands of Euros)	
	Total Assets	82.348.317	89.474.368
	Total Liabilities	79.009.798	85.605.902
	Total Equity attributable to Shareholders of the Bank	2.637.551	3.227.080
	Total Equity	3.338.519	3.868.466
	Total Liabilities and Equity	82.348.317	89.474.368
BCP Finance			
Income Statement			
The table below sets out summary information extracted from BCP Finance’s audited comprehensive income statement for each of the two years ended 31 December 2012 and 31 December 2013:			
	2013	2012	
Statement of Comprehensive Income			
Net interest income	(5,300)	(11,218)	
Gains arising from trading and hedging activities	12,022	337,283	
Total operating income	6,722	326,065	
Total operating expenses	13,192	333,345	
(Loss)/profit for the year	(6,470)	(7,280)	
Other Comprehensive Income	11,381	4,086	
Total Comprehensive Income/ (loss) for the year	4,911	(3,194)	
Note: thousands of USD			

Element	Title																																								
	<p><b><i>Consolidated Balance Sheet</i></b></p> <p>The table below sets out summary information extracted from BCP Finance's audited balance sheet as at 31 December 2012 and 31 December 2013:</p> <table> <tr> <th></th><th>2013</th><th>2012</th></tr> <tr> <td><b>Balance sheet</b></td><td></td><td></td></tr> <tr> <td><b>Assets</b></td><td></td><td></td></tr> <tr> <td>Loans and advances to credit institutions</td><td>3,034,830</td><td>2,600,772</td></tr> <tr> <td>Financial assets held for trading</td><td>2,078</td><td>13,333</td></tr> <tr> <td>Other assets</td><td>5,235</td><td>10,177</td></tr> <tr> <td>Total assets</td><td>3,042,143</td><td>2,624,282</td></tr> <tr> <td><b>Liabilities</b></td><td></td><td></td></tr> <tr> <td>Deposits from credit institutions</td><td>1,513,029</td><td>897,932</td></tr> <tr> <td>Debt securities issued</td><td>460,524</td><td>649,184</td></tr> <tr> <td>Other liabilities</td><td>208,261</td><td>221,748</td></tr> <tr> <td>Total liabilities</td><td>2,181,814</td><td>1,768,864</td></tr> <tr> <td><b>Shareholder's Equity</b></td><td>860,329</td><td>855,418</td></tr> </table> <p>Note: thousands of USD</p> <p><b><i>Statements of no significant or material adverse change</i></b></p> <p>There has been no significant change in the financial or trading position of the Group since 31 March 2014. There has been no material adverse change in the prospects of BCP or the Group since the date of the last audited annual accounts, 31 December 2013.</p> <p>There has been no significant change in the financial or trading position of BCP Finance since 31 December 2013. There has been no material adverse change in the prospects of BCP Finance since the date of the last audited accounts, 31 December 2013.</p>			2013	2012	<b>Balance sheet</b>			<b>Assets</b>			Loans and advances to credit institutions	3,034,830	2,600,772	Financial assets held for trading	2,078	13,333	Other assets	5,235	10,177	Total assets	3,042,143	2,624,282	<b>Liabilities</b>			Deposits from credit institutions	1,513,029	897,932	Debt securities issued	460,524	649,184	Other liabilities	208,261	221,748	Total liabilities	2,181,814	1,768,864	<b>Shareholder's Equity</b>	860,329	855,418
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<b>B.13</b>	Events impacting the Issuers' solvency	<p>There are no recent events particular to BCP which are to a material extent relevant to the evaluation of its solvency.</p> <p>There are no recent events particular to BCP Finance which are to a material extent relevant to the evaluation of its solvency.</p>																																							
<b>B.14</b>	Dependence upon other group entities	<p>BCP is, directly or indirectly, the ultimate holding company of all the companies in the Group and is not dependent upon other entities within the Group. However, being the ultimate holding company of the Group the activities developed by the other members of the Group have an impact on BCP.</p> <p>BCP Finance is an (indirect) wholly-owned subsidiary of BCP.</p> <p>Please also refer to Element B.5.</p>																																							
<b>B.15</b>	Principal activities	<p>The Group is engaged in a wide variety of banking and related financial services activities, including investment banking, asset management and insurance, in Portugal and internationally.</p> <p>BCP's operations are primarily in retail banking, but it also offers a complete range of additional financial services.</p> <p>BCP Finance acts as an overseas finance vehicle of BCP and of the Group, issuing Notes pursuant to the Programme. As such it raises funds to BCP by way of intra-group loans.</p>																																							
<b>B.16</b>	Controlling shareholders	<p>BCP is not aware of any shareholder or group of connected shareholders who directly or indirectly control the BCP.</p> <p>BCP Finance is a wholly owned indirect subsidiary of BCP.</p>																																							

Element	Title	
B.17	Credit ratings	<p>The Programme has been rated “B1/NP” (in respect of Notes issued on a senior basis (“<b>Senior Notes</b>”) with a maturity of more than one year and Senior Notes with a maturity of one year or less, respectively) and “Caa3” (in respect of Notes issued on a subordinated basis (“<b>Subordinated Notes</b>”)) by Moody’s Investors Service España, S.A., “B+/B” (in respect of Senior Notes with a maturity of more than one year and Senior Notes with a maturity of one year or less, respectively) and “CCC” (in respect of Subordinated Notes) by Standard &amp; Poor’s Credit Market Services Europe Limited, and “BB+/B” (in respect of Senior Notes with a maturity of more than one year and Senior Notes with a maturity of one year or less, respectively) by Fitch Ratings Limited and “BBB (low)/R-2” (middle) (in respect of Senior Notes with a maturity of more than one year and Senior Notes with a maturity of one year or less, respectively) and “BB” (in respect of Subordinated Notes) by DBRS Inc.</p> <p>The Programme has not been rated in respect of Senior Notes and Subordinated Notes issued by BCP Finance which are not guaranteed by the Guarantor.</p> <p>Notes issued under the Programme may be rated or unrated by either of the rating agencies referred to above. Where a Tranche of Notes is rated, such rating will not necessarily be the same as the rating assigned to the Programme by the relevant rating agency.</p> <p><b>Issue-specific summary:</b></p> <p>[The Notes [have been/are expected to be] rated [<i>specify rating(s) of Tranche being issued</i>] by [<i>specify rating agent(s)</i>].</p> <p>A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.]</p> <p>[Not Applicable - No specific ratings have been assigned to the debt securities at the request of or with the co-operation of the Issuer in the rating process.]</p>
B.18	Description of the Guarantee	<p>The Notes issued by BCP Finance may be unconditionally and irrevocably guaranteed or unguaranteed by BCP acting through its Macao branch (in its capacity as guarantor, the “<b>Guarantor</b>”), as specified in the applicable Final Terms. Macao branch acting as Guarantor does not affect the fact that BCP is a Portuguese entity and that investors’ rights are against BCP only.</p> <p>The Guarantee may be issued on either a senior basis (“<b>Senior Guarantee</b>”) in the case of a Guarantee relating to Senior Notes or a subordinated basis (“<b>Subordinated Guarantee</b>”) in the case of Subordinated Notes.</p> <p>The obligations of the Guarantor under its Senior Guarantee constitute direct, unconditional, unsubordinated and (subject to the provisions of negative pledge below) unsecured obligations of the Guarantor and will rank <i>pari passu</i> with all present and future unsecured and unsubordinated obligations of the Guarantor, save for those that have been accorded by law preferential rights.</p> <p>The obligations of the Guarantor under its Subordinated Guarantee constitute direct, unconditional and unsecured obligations of the Guarantor, and in the event of the winding-up of the Guarantor, (to the extent permitted by Portuguese law) will be subordinated in right of payment to the claims of all secured and/or unsubordinated creditors of the Guarantor.</p>
B.19	Information	Banco Comercial Português, S.A. acting through its Macao branch.

Element	Title	
	about the Guarantor	Information relating to Banco Comercial Português, S.A. is set out in this Section B.

### Section C – Securities

Element	Title	
C.1	Description of Notes/ISIN	<p>The Notes to be issued under the Programme may be in bearer or book entry form.</p> <p>The Notes to be issued under the Programme may be Fixed Rate Notes, Floating Rate Notes, Zero Coupon Notes or a combination of the foregoing.</p> <p><b>Issue-specific summary:</b></p> <p>The Notes are [£/€/U.S.\$/other] [ ] [[ ]% Fixed Rate/Floating Rate/Zero Coupon/other] Notes due [ ].</p> <p>International Securities Identification Number (ISIN): [ ]</p>
C.2	Currency	<p>Subject to compliance with all applicable laws, regulations and directives, Notes may be issued in any currency agreed between the Issuer and the relevant Dealer at the time of issue.</p> <p><b>Issue-specific summary:</b></p> <p>The currency of this Series of Notes is [Sterling/Euro/U.S. dollars/Japanese yen/Swiss francs/Australian dollars/Canadian dollars/other].</p>
C.5	Restrictions on transferability	Not Applicable - There are no restrictions on the free transferability of the Notes.
C.8	Rights attached to the Notes, including ranking and limitations on those rights	<p>Notes issued under the Programme will have terms and conditions relating to, among other matters:</p> <p><b>Status and Subordination</b></p> <p>Notes may be issued on either a senior or a subordinated basis, the Senior Notes and the Subordinated Notes, respectively.</p> <p>Senior Notes constitute direct, unconditional, unsubordinated and (subject to the provisions of negative pledge below) unsecured obligations of the Issuer and will rank <i>pari passu</i> among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured and unsubordinated obligations of the Issuer, from time to time outstanding.</p> <p>Payments in respect of any Subordinated Notes constitute direct, unconditional and unsecured obligations of the Issuer, and in the event of the winding-up of the Issuer, will be subordinated in right of payment to the claims of all secured and/or unsubordinated creditors of the Issuer (if the Issuer is BCP Finance, in accordance with the provisions of the Trust Deed; if the Issuer is BCP, to the extent permitted by Portuguese law).</p> <p><b>Issue-specific summary:</b></p> <p>This Series of Notes is issued on a [senior/subordinated] basis.</p> <p><b>Taxation</b></p> <p>All payments in respect of the Notes will be made without deduction for or on</p>



Element	Title	
		<p>account of any withholding taxes imposed by the Cayman Islands (in the case of payments by BCP Finance) or Portugal (in the case of payments by BCP) unless such deduction or withholding is required by law. In the event that any such deduction is made, the Issuer or, as the case may be, the Guarantor will, save in certain limited circumstances, be required to pay additional amounts to cover the amounts so deducted.</p> <p>Currently, payments of interest and other revenues to be made by BCP directly to non-Portuguese residents is subject to Portuguese withholding tax at 25% (collective entities), 28% (individuals) or 35% if the payment is made to an account held on behalf of undisclosed beneficial owners, unless they are disclosed for these purposes or, when applicable, to reduced withholding tax rates under the tax treaties entered into by Portugal. The 35% rate also applies to payments of interest and other investment income to entities that are domiciled in a country included in the Portuguese “tax havens” list. Euroclear and Clearstream, Luxembourg do not offer any tax relief services to holders of Notes (other than Book Entry Notes) issued by BCP. Payments of interest or other revenues to be made by BCP thereunder will be subject to Portuguese taxation rules.</p> <p>All payments in respect of the Notes will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the “<b>Code</b>”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, official interpretations thereof, or any law implementing an intergovernmental approach thereto.</p> <p><b><i>Negative pledge</i></b></p> <p>The terms of the Senior Notes will contain a negative pledge provision to the effect that, so long as any of the Senior Notes remains outstanding, neither the Issuer nor the Guarantor (as the case may be) shall create or permit to be outstanding any mortgage, charge, lien, pledge or other similar encumbrance or security interest (subject to certain exceptions with respect to assets that belonged to a third company and were acquired pursuant to an amalgamation or merger, securitisations, asset-backed financing or like arrangements, and mortgage-backed bonds or covered bonds) upon the whole or any part of its undertaking or assets, present or future, to secure any Indebtedness or to secure any guarantee or indemnity given in respect of any Indebtedness, without at the same time or prior thereto securing the Notes equally and rateably therewith or providing other security for the Notes.</p> <p>“<b>Indebtedness</b>” means any borrowings having an original maturity of more than one year in the form of or represented by bonds, notes, debentures or other securities which with the consent of the Issuer or the Guarantor, as the case may be, are, or are intended to be, listed or traded on any stock exchange or other organised market for securities other than a borrowing which is entirely or substantially placed in Portugal.</p> <p>The terms of the Subordinated Notes will not contain a negative pledge provision.</p> <p><b><i>Events of default</i></b></p> <p><i>Senior Notes</i></p> <p>The terms of the Senior Notes will contain, amongst others, the following events of</p>

Element	Title	
		<p>default:</p> <ul style="list-style-type: none"> <li>(a) default in payment of any principal or interest due in respect of the Notes, continuing for a specified period of time;</li> <li>(b) non-performance or non-observance by the Issuer or the Guarantor (as the case may be) of any of their respective other obligations (i.e. under the conditions of the Notes and the Guarantee), in certain cases continuing for a specified period of time;</li> <li>(c) acceleration by reason of default of the repayment of any indebtedness or default in any payment of any indebtedness or in the honouring of any guarantee or indemnity in respect of any indebtedness by the Issuer or BCP (as the case may be), in any case so long as any such indebtedness exceeds the specified threshold;</li> <li>(d) events relating to the winding-up or dissolution of the Issuer or the Guarantor (as the case may be); and</li> <li>(e) the Guarantee ceases to be in full force and effect (where applicable).</li> </ul> <p><i>Subordinated Notes</i></p> <p>The terms of the Subordinated Notes will contain the following events of default:</p> <ul style="list-style-type: none"> <li>(a) default in payment of any principal or interest due in respect of the Notes, continuing for a specified period of time; and</li> <li>(b) events relating to the winding-up or dissolution of the Issuer or the Guarantor (as the case may be).</li> </ul> <p><b><i>Meetings</i></b></p> <p>The terms of the Notes will contain provisions for calling meetings of holders of such Notes to consider matters affecting their interests generally. These provisions permit defined majorities to bind all holders, including holders who did not attend and vote at the relevant meeting and holders who voted in a manner contrary to the majority.</p> <p><b><i>Governing law</i></b></p> <p>English law, except that in relation to Subordinated Notes and, with respect to Book Entry Notes, the form and transfer of Notes, the creation of security over Notes and the Interbolsa procedures for the exercise of rights under Notes will be governed by Portuguese law.</p>
<b>C.9</b>	Interest/ Redemption/ Representative of holders	<p><b><i>Interest</i></b></p> <p>Notes may or may not bear interest. Interest-bearing Notes will either bear interest payable at a fixed rate or a floating rate.</p> <p><i>Issue-specific summary:</i></p> <p>[The Notes bear interest [from their date of issue/from [ ] at the fixed rate of [ ]% per annum. Interest will be paid [annually/semi-annually/quarterly/monthly] in arrear on [ ] [and [ ] in [each [year/month]/other]. The first interest payment will be made on [ ]].</p>

Element	Title	
		<p>[The yield on the Notes is [ ]% per annum. The yield is calculated at the issue date of the Notes on the basis of the issue price of the Notes of [ ]%. It is not an indication of future yield.]</p> <p>[The Notes bear interest [from their date of issue/from [ ]] at floating rates calculated by reference to [<i>specify reference rate for Notes being issued</i>] [plus/minus] a margin of [ ]%. Interest will be paid [annually/semi-annually/quarterly/monthly] in arrear on [ ] [and [ ]] in [each [year/month]/<i>other</i>], subject to adjustment for non-business days. The first interest payment will be made on [ ].]</p> <p>[The [Rate of Interest for Fixed Rate Notes/Spread] will be increased by [ ]% on [ ] [and further increased by [ ]% on [ ]].]</p> <p>[The Notes do not bear any interest [and will be offered and sold at a discount to their nominal amount].]</p> <p><b><i>Redemption</i></b></p> <p>The terms under which Notes may be redeemed (including the maturity date and the price at which they will be redeemed on the maturity date as well as any provisions relating to early redemption) will be agreed between the Issuer and the relevant Dealer at the time of issue of the relevant Notes.</p> <p><i>Issue-specific summary:</i></p> <p>Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on [ ] at [ ]% of their nominal amount.</p> <p>The Notes may be redeemed early for tax reasons or following an Event of Default [or [at the option of the Issuer [[and/or] at the option of the investor] [or [<i>specify any other early redemption option applicable to the Notes being issued</i>]] at [<i>specify the early/optional redemption price</i>]. [The Notes may also be redeemed before the maturity date at the option of the Issuer at [[ ]% of the nominal amount of the Notes / [ ]] upon the occurrence of a tax deductibility or capital disqualification event as set out in the applicable Final Terms.]</p> <p><b><i>Trustee</i></b></p> <p>The Issuers has appointed The Law Debenture Trust Corporation p.l.c. (the “Trustee”) to act as trustee for the Notes. The Trustee may, without the consent of any holders and without regard to the interests of particular holders, agree to (i) any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes or (ii) determine without the consent of any holders that an event of default or potential event of default shall not be treated as such or (iii) the substitution of another company as principal debtor under the Notes in place of the relevant Issuer, subject to fulfilment of certain conditions.</p> <p>Please also refer to Element C.8.</p>
C.10	Derivative component in the interest payments	<p>Not applicable – There is no derivative component in the interest payments.</p> <p>Please also refer to Element C.9.</p>
C.11	Listing and Admission to	<p>Notes issued under the Programme may be listed and admitted to trading on the Irish Stock Exchange or on any other market which is not a regulated market for the</p>

Element	Title	
	trading in respect of Notes with a denomination of less than EUR100,000 (or its equivalent in other currencies)	<p>purposes of Directive 2004/39/EC.</p> <p><b>Issue-specific summary:</b></p> <p>[Application [has been/is expected to be] made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the regulated market of the [Irish Stock Exchange/[ ]].] [The Notes are not intended to be admitted to trading on any market.]</p>
<b>C.21</b>	Admission to trading in respect of Notes with a denomination of at least EUR100,000 (or its equivalent in other currencies)	<p>Notes issued under the Programme may be listed and admitted to trading on the Irish Stock Exchange on any other market which is not a regulated market for the purposes of Directive 2004/39/EC.</p> <p><b>Issue-specific summary:</b></p> <p>[Application [has been/is expected to be] made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the regulated market of the [Irish Stock Exchange/[ ]].] [The Notes are not intended to be admitted to trading on any market.]</p>

#### Section D – Risks

Element	Title	
<b>D.2</b>	Key risks regarding the Issuer and the Guarantor	<p>In purchasing Notes, investors assume the risk that the Issuer and the Guarantor (as the case may be) may become insolvent or otherwise be unable to make all payments due in respect of the Notes. There is a wide range of factors which individually or together could result in the Issuer and the Guarantor becoming unable to make all payments due in respect of the Notes. It is not possible to identify all such factors or to determine which factors are most likely to occur, as the Issuer and the Guarantor may not be aware of all relevant factors and certain factors which they currently deem not to be material may become material as a result of the occurrence of events outside the Issuer's and the Guarantor's control. The Issuer and the Guarantor have identified a number of factors which could materially adversely affect their businesses and ability to make payments due under the Notes. The paragraphs below include a list of some of such identified risks. The order according to which the risks are presented herein is not an indication of their relevance or occurrence probability. Investors must carefully read the information contained in the Offering Circular or included therein by reference and reach their own conclusions before taking any investment decision.</p> <p><b>Risks relating to BCP:</b></p> <p><i>Risk factors relating to the Portuguese economy, which include, inter alia,</i> i) The Bank is highly sensitive to the evolution of the Portuguese economy, which strongly contracted between 2011 and 2013; ii) The Portuguese economy is undergoing a complex process of structural change with uncertain impact on potential economic growth and banking activity; iii) The Portuguese economy is subject to the performance and potential deterioration of foreign economies; iv) The successful conclusion of the PAEF does not eliminate the risk of further deterioration of Portugal's economic and</p>

Element	Title	
		<p>financial condition; v) The global financial and European sovereign debt crises have limited the Bank's access to the capital markets, leading to dependency on the ECB for access to funding; vi) The Bank is exposed to the risk of a deterioration of the sovereign risk premium; vii) Changes to the Portuguese government's economic policies may negatively impact the Bank's activities; viii) The Bank is exposed to risks associated with deflation; ix) The Treaty on Stability, Coordination and Governance of the EMU will permanently condition economic policymaking with potential adverse effects on the Bank's operational activity; x) The Portuguese Republic may be subject to downgraded rating reviews by the rating agencies, which could affect the funding of the economy and the Bank's activity; xi) A relapse of the sovereign debt crisis of the Eurozone may constitute a potential source of turbulence for the markets that may impact the Bank's activity; and xii) A material decline in global capital markets and volatility in other markets could adversely affect the activity, results and value of strategic investments of the Bank.</p> <p><i>Legal and Regulatory Risks, which include, inter alia,</i> i) The Bank is subject to increasingly complex regulation that could increase regulatory and capital requirements; ii) The implementation of the Banking Union could impose further regulatory requirements that may adversely impact the Bank's activities; iii) The implementation of a harmonised deposit guarantee system throughout the European Union may require additional contributions by the Bank; iv) The resolutions adopted by the European Commission relating to the BRRD may restrict the trading operations of the Bank and increase its refinancing costs; v) The Bank is subject to the increase in obligations and effects resulting from the new legal framework aimed at preventing and monitoring the default risk of customers; vi) New provisions of the ECB relating to the discretionary acceptance of bank debt guaranteed by the national Central Banks contain risks relating to a reduced pool of eligible assets; vii) Changes to tax legislation, regulations, higher taxes or lower tax benefits could have an adverse effect on the Bank's activity; viii) Implementation of legislation relating to taxation of the financial sector could have a material adverse effect on the Bank's results of operations; ix) The Bank was charged and convicted by the CMVM (final decision) and the Bank of Portugal (subject to an ongoing appeal) in administrative proceedings in connection with certain transactions, including the financing of the acquisition of shares issued by the Bank by companies incorporated in certain offshore jurisdictions; and x) The use of standardised contracts and forms carries certain risks.</p> <p><i>Risks relating to BCP's recapitalisation plan, which include, inter alia</i> i) The Restructuring Plan of the Bank approved by the European Commission has an associated execution risk and both the Restructuring Plan's success and the Bank's strategic autonomy depend on the ability to repay the hybrid instruments subscribed to by the Portuguese State in the amount of EUR 3 billion; ii) The Bank is exposed to contingent risks for the implementation of its strategy, and may not, totally or partially, achieve the objectives in its Strategic Plan 2012-2017; iii) Conditions imposed on the Bank as a result of its recapitalisation plan and restructuring plan may constrain the Bank's operations or otherwise be adverse to the interest of the Bank's shareholders; iv) The Bank may not be able to ensure payments related to certain hybrid instruments subscribed by the Portuguese Republic, the failure of which could render the Portuguese State the majority shareholder of the Bank; v) its recapitalisation plan and the restructuring plan may not be sufficient to meet the Bank's future regulatory capital requirements, which could necessitate further engagement in liability management transactions, sales of assets or additional public</p>

Element	Title	
		<p>investment; vi) The Bank may not be able to use the proceeds of the share capital increase announced on 24 June 2014 to repay the GSIs; and vii) The Bank may be judicially compelled to repay state aid.</p> <p><i>Risks relating to BCP's Business, which include, inter alia,</i> i) The Bank is exposed to the credit risk of its customers; ii) The Bank is exposed to concentration risk in its credit exposure; iii) The Bank is exposed to credit risk of its counterparties; iv) The Bank sells capitalisation insurance products with guaranteed principal that have associated credit linked notes, exposing the Bank to reputational risk in its role as seller, and financial risk indirectly arising from its shareholding in Millenniumbcp Ageas; v) The Bank is exposed to a contraction of the real estate market; vi) The Bank is exposed to the risk of interest rate repricing; vii) The Bank holds units in specialised credit recovery closed-end funds that cannot be sold and may depreciate; viii) Financial problems faced by the Bank's customers could adversely affect the Bank; ix) The Bank's portfolio may continue to contract; x) The Bank is exposed to further deterioration of asset quality; xi) The Bank faces strong competition in its main areas of activity, namely in the retail business; xii) The Bank may generate lower revenues from commissions and fee-based businesses; xiii) Changes in consumer protection laws may limit the fees that the Bank can charge in certain banking transactions; xiv) Downgrades in the Bank's credit rating could increase the cost of borrowing funds and make the Bank's ability to raise new funds or renew maturing debt more difficult; xv) In addition to its exposure to the Portuguese economy, the Bank faces exposure to macroeconomic risks in its businesses in Europe (Poland and Romania) and Africa (Angola and Mozambique); xvi) The Bank's operations in emerging markets expose its business to risks associated with social, economic and political conditions in those markets; xvii) The Bank's highly liquid assets may not cover liabilities to its customer base; xviii) The results of additional stress tests could result in a need to increase capital or a loss of public confidence in the Bank; xix) The Bank's ability to achieve certain targets is dependent upon certain assumptions involving factors that are significantly or entirely beyond the Bank's control and are subject to known and unknown risks, uncertainties and other factors; xx) The Bank is vulnerable to fluctuations in interest rates, which may negatively affect net interest income and lead to other adverse consequences; xxi) The Bank is exposed to reputational risks, including those arising from rumours that affect its image and customer relations; xxii) The Bank may have difficulty in hiring and retaining board members and qualified personnel; xxiii) The coverage of pension fund liabilities could be insufficient, which would lead to actuarial losses; xxiv) Labour disputes or other industrial actions could disrupt Bank operations or make them more costly to run; xxv) The Bank is exposed to market risk, which could result in the devaluation of investment holdings or affect its trading results; xxvi) The Bank is exposed to insurance risks, where the value of insurance claims may exceed the amount of reserves held against those claims; xxvii) The Bank is subject to compliance risk, which may lead to claims of non-compliance and lawsuits by public agencies, regulatory agencies and other parties; xxviii) The Bank is subject to certain operational risks, which may include interruptions in the services provided, errors, fraud attributable to third parties, omissions and delays in the provision of services and implementation of requirements for risk management; xxix) The Bank faces technological risks, and a failure in the Bank's information technology systems could result in, among other things, trading losses, losses in customer deposits and investments, accounting and financial reporting errors and breaches in data security; xxx) The Bank is subject to the risk of changes in the relationship with its partners; xxxi) Transactions in the Bank's own portfolio involve risks; xxxii) Hedging</p>

Element	Title	
		<p>operations carried out by the Bank may not be adequate to prevent losses; xxxiii) The Bank faces exchange rate risk related to its international operations; xxxiv) The Bank might be exposed to non-identified risks or to an unexpected level of risks, notwithstanding the risk management policies pursued by the Bank; xxxv) The Non Core Business Portfolio segment may generate additional impairment levels; and xxxvi) Risks relating to legislation on deferred tax assets may arise.</p> <p><b><i>Risks relating to BCP Finance:</i></b></p> <p>BCP Finance is an overseas finance vehicle of BCP and of the Group. As such it raises funds to BCP by way of intra-group loans. In the event that BCP fails to make a payment under an intra-group loan, BCP Finance may not be able to meet its payment obligations under the issued Notes. Investors should furthermore note that not all Notes issued by BCP Finance will be guaranteed by BCP.</p>
<b>D.3</b>	Key risks regarding the Notes	<p>There are also risks associated with the Notes. These include risks related to the structure of particular issues of Notes, a range of market risks (including that the value of the investment may be adversely affected by exchange rate movements where the Notes are not denominated in the investor's own currency, that any credit rating assigned to the Notes may not adequately reflect all the risks associated with an investment in the Notes, that changes in market interest rates will affect the value of Notes which bear interest at a fixed rate and that there may be no or only a limited secondary market in the Notes), the fact that the conditions of the Notes may be modified without the consent of the holder in certain circumstances, that the holder may not receive payment of the full amounts due in respect of the Notes as a result of amounts being withheld by the Issuer in order to comply with applicable law and that investors are exposed to the risk of changes in law or regulation (including in respect of taxation) affecting the value of Notes held by them.</p>

## Section E – Offer

Element	Title	
<b>E.2b</b>	Use of proceeds	<p>The net proceeds from each issue of Notes will be applied by the Issuer for the general corporate purposes of the Group, which include making a profit.</p> <p><b><i>[Issue-specific summary:</i></b></p> <p>The net proceeds from the issue of Notes will be [applied by the Issuer for its general corporate purposes, which include making a profit [and[ ]]/[applied by the Issuer for [ ]].]</p>
<b>E.3</b>	Terms and conditions of the offer	<p>Under the Programme, the Notes may be offered to the public in a Public Offer in Ireland, Portugal and the United Kingdom.</p> <p>The terms and conditions of each offer of Notes will be determined by agreement between the Issuer and the relevant Dealers at the time of issue and specified in the applicable Final Terms.</p> <p><b><i>Issue-specific summary:</i></b></p> <p>[Not Applicable - the Notes are issued in denominations of at least EUR 100,000 (or its equivalent in any other currency.)]</p>

Element	Title															
		<p>[This issue of Notes is being addressed solely to qualified investors (as defined under the Prospectus Directive).]</p> <p>[This issue of Notes is being offered in a Public Offer in [Portugal/Ireland/the United Kingdom] during the Offer Period.]</p> <p>The issue price of the Notes is [ ]% of their nominal amount.</p>														
		<table><tr><td>[Offer Price:</td><td>[Issue Price/Not Applicable/[ ]]</td></tr><tr><td>Conditions to which the offer is subject:</td><td>[Not Applicable/[ ]]</td></tr><tr><td>Description of the application process:</td><td>[Not Applicable/[ ]]</td></tr><tr><td>Details of the minimum and/or maximum amount of application:</td><td>[Not Applicable/[ ]]</td></tr><tr><td>Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants:</td><td>[Not Applicable/[ ]]</td></tr><tr><td>Details of the method and time limits for paying up and delivering the Notes:</td><td>[Not Applicable/[ ]]</td></tr><tr><td>Manner and date on which results of the offer are to be made to public:</td><td>[Not Applicable/[ ]]</td></tr></table>	[Offer Price:	[Issue Price/Not Applicable/[ ]]	Conditions to which the offer is subject:	[Not Applicable/[ ]]	Description of the application process:	[Not Applicable/[ ]]	Details of the minimum and/or maximum amount of application:	[Not Applicable/[ ]]	Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants:	[Not Applicable/[ ]]	Details of the method and time limits for paying up and delivering the Notes:	[Not Applicable/[ ]]	Manner and date on which results of the offer are to be made to public:	[Not Applicable/[ ]]
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Details of the minimum and/or maximum amount of application:	[Not Applicable/[ ]]															
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Details of the method and time limits for paying up and delivering the Notes:	[Not Applicable/[ ]]															
Manner and date on which results of the offer are to be made to public:	[Not Applicable/[ ]]															
		<table><tr><td>Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised:</td><td>[Not Applicable/[ ]]</td></tr><tr><td>Process for notification to applicants of the amount of Notes allotted and indication whether dealing may begin before notification is made:</td><td>[Not Applicable/[ ]]</td></tr><tr><td>Details of any tranche(s) reserved for specific country:</td><td>[Not Applicable/[ ]]</td></tr><tr><td>Amount of any expenses and taxes specifically charged to the subscriber or purchaser:</td><td>[Not Applicable/[ ]]</td></tr><tr><td>Name(s) and address(es), to the extent known to the Issuer, of the placers in the various countries where the offer takes place.</td><td>[None/The Authorised Offerors identified above]]</td></tr></table>	Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised:	[Not Applicable/[ ]]	Process for notification to applicants of the amount of Notes allotted and indication whether dealing may begin before notification is made:	[Not Applicable/[ ]]	Details of any tranche(s) reserved for specific country:	[Not Applicable/[ ]]	Amount of any expenses and taxes specifically charged to the subscriber or purchaser:	[Not Applicable/[ ]]	Name(s) and address(es), to the extent known to the Issuer, of the placers in the various countries where the offer takes place.	[None/The Authorised Offerors identified above]]				
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Amount of any expenses and taxes specifically charged to the subscriber or purchaser:	[Not Applicable/[ ]]															
Name(s) and address(es), to the extent known to the Issuer, of the placers in the various countries where the offer takes place.	[None/The Authorised Offerors identified above]]															
E.4	Interest of natural and legal persons involved in the issue/offer	<p>The relevant Dealers may be paid fees in relation to any issue of Notes under the Programme. Any such Dealer and its affiliates may also have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for BCP, BCP Finance and their affiliates in the ordinary course of business. In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer, BCP or their affiliates. Certain of the Dealers or their affiliates that have a lending relationship with BCP or BCP</p>														



Element	Title	
		<p>Finance routinely hedge their credit exposure to BCP or BCP Finance in a way consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such short positions could adversely affect future trading prices of Notes issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.</p> <p><b><i>Issue-specific summary</i></b></p> <p>[Other than as mentioned above,[ and save for [ ]], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer, including conflicting interests.]</p>
<b>E.7</b>	Expenses charged to the investor by the Issuer	Not Applicable – No expenses will be charged to investors by the Issuer.

## RISK FACTORS

*Investing in financial instruments, including securities, involves risk. Before making any investment decision, one must take into consideration all the information described in this Offering Circular and, in particular, the risks mentioned herein.*

*The following text describes the material risks which the Issuers believe may affect the capacity of the Issuers to comply with its duties concerning the Notes issued under the Programme. All these factors may adversely affect the business, income, results, assets and liquidity of the Group. Moreover, there may also be some unknown risks and other risks that, despite deemed as non-relevant, may become relevant in the future. The Bank is unable to ensure that, in view of exceptionally adverse scenarios, the policies and procedures used by it to identify, monitor and manage the risks are fully efficient. The order according to which the risks are presented herein is not an indication of their relevance or occurrence probability. Investors must carefully read the information contained in this Offering Circular or included therein by reference and reach their own conclusions before taking any investment decision.*

## RISKS RELATING TO THE ISSUERS

### Risks Relating to the Portuguese Economy

***The Bank is highly sensitive to the evolution of the Portuguese economy, which strongly contracted between 2011 and 2013.***

The evolution of the Portuguese economy has a considerable impact on the Bank's business, its financial situation and net income. A substantial portion of the Bank's assets and operating profit is derived from Portugal, which accounted for 57% of the Bank's revenues during 2013. In addition, as at 31 March 2014, the Bank's holdings of EUR 6.4 billion in Portuguese government bonds represented 7.8% of its total assets. As such, developments in the Portuguese economy will have a material impact on the quality of the Bank's assets, its financial condition, results of operations and prospects.

The financial and economic difficulties that have affected the world economy since mid-2007 impacted the growth model that had supported the Portuguese economy since its adoption of the single currency.

By 2010, the Portuguese economy was profoundly imbalanced, with persistent current account and fiscal deficits. After a long stretch of financial excess, in 2010 the total net external debt, measured by the net international investment position, reached 107.2% of GDP (Source: Bank of Portugal, May 2014) and the general government consolidated gross debt climbed to 94.0% of GDP (Source: Bank of Portugal, May 2014). These imbalances, together with low levels of economic growth and the serious turmoil in European debt markets that followed the sovereign debt crises in Greece and Ireland in 2010, made the financial position of Portugal unsustainable. Amid such significant economic and financial instability, Portugal negotiated a financial assistance programme of EUR 78 billion (the "PAEF"), with the International Monetary Fund ("IMF"), the European Commission ("EC") and the European Central Bank ("ECB"), which was formally approved on 17 May 2011, in a bid to stabilise its public finances, initiate a set of structural reforms that would promote competitiveness, and stabilise the banking system. Despite significant improvement in external and public accounts over recent years, uncertainty regarding financial stability persists. In view of these lingering imbalances, the concerns of international investors regarding the sustainability of public finances have limited funding availability for Portuguese private and public issuers in international markets.

Economic activity had been constrained since 2011 as a result of reductions in public and private expenditure, more restrictive funding conditions and increased unemployment. Economic activity, as measured by real GDP, contracted by 1.3% in 2011, by 3.2% in 2012 and by 1.4% in 2013 (Source: Portugal's National Statistics Institute, March 2014). However, in the last three quarters of 2013, sequential GDP growth turned positive, reflecting the strong pace of net exports along with less depressed domestic demand, although, in the first quarter of 2014, GDP fell 0.6% on a quarterly basis largely due to the fallback of exports and the slowing down of investment.

The unemployment rate, which increased from 7.3% in 2008 to a peak of 17.7% in March 2013, has since declined to 15.1% at the end of the first quarter of 2014 (Source: INE, May 2014), in line with the economy's recovery. The public deficit, which increased from 4.3% of GDP in 2011 to 6.4% in 2012, decreased to 4.9% in 2013 (Source: Portugal's National Statistics Institute, March 2014), below the PAEF target of 5.5% of GDP (Source:

Seventh Review of the Memorandum of Understanding, June 2013). This result was largely driven by an increase in revenues, following a growth in economic activity, efforts to enforce tax compliance and measures to control expenditure. The consolidated value of the gross debt of the public administration in 2013 increased to 129.0% of GDP, compared with 124.1% for the previous year (Source: INE, March 2014). The restructuring of balance sheets in both the public and private sectors and strong growth in exports helped to reduce the external imbalance, leading to significant improvements in current and capital account balances, which recorded a surplus in 2012 and 2013 (Source: Bank of Portugal, March 2014).

The economic context remains challenging for Portugal. In spite of recent improvements, a significant degree of uncertainty persists regarding the course of European sovereign debt markets and the ability of Portuguese issuers to obtain funding from abroad. In particular, uncertainty resulting from the sovereign debt crisis in the Eurozone could continue to have a significant impact on markets that may affect the Bank's activity. These aspects, combined with the process of reducing private and public sector debt, the implementation of structural reforms in the labour, product and services market and the pressure of a higher tax burden on the real disposable income of families and companies, represent a challenging economic environment. Although the GDP contraction of 1.4% in 2013 is expected to be followed by a GDP growth rate of 1.2% in 2014 (Source: IMF, Eleventh Review Mission of Portugal, 21 April 2014), this growth is unlikely to sufficiently increase in a material way disposable income or to encourage domestic demand or drastically reduce the elevated levels of unemployment. The possibility of economic performance below expectations cannot be excluded in view of the risk of a significant slowdown of external demand and the uncertainty surrounding the success and subsequent enforcement of the structural adjustment that must still be pursued after the completion of the PAEF. If these risks to economic growth were to materialise, demand for credit would predictably fall, cost of funding could rise and the credit quality of the loans portfolio and other segments of the asset side of the Bank's balance sheet would deteriorate. (See *The successful conclusion of the PAEF does not eliminate the risk of further deterioration of Portugal's economic and financial condition.*)

The still uncertain macroeconomic conditions in Portugal are affecting, and will continue to affect, the behaviour and financial position of the Bank's customers and, therefore, the supply and demand of the products and services offered by the Bank. In particular, the growth of loans is expected to be sluggish for the forthcoming years, hindering the creation of revenue supporting net interest income. Unemployment, reduction of business profitability and increased insolvency of companies and/or households has and will continue to negatively influence customers' capacity to repay loans. Consequently, non-performing loans may increase, which would negatively impact the quality of the Bank's assets.

***The Portuguese economy is undergoing a complex process of structural change with uncertain impact on potential economic growth and banking activity.***

The evolution of the Portuguese economy since the creation of the single currency in 1999 was characterised by weak growth levels in an environment of strong debt accumulation and of loss of competitiveness. Consequently, the Portuguese economy was placed in a vulnerable position upon the occurrence of the international financial crisis in 2007-2008 and the sovereign debt crisis in the Eurozone periphery in 2010. Faced with the unsustainability of the economic model that had been followed in the previous decade, the Portuguese economy was forced to adjust in a profound and structural manner. Some of the resulting changes resulted from the need for improved competitiveness, which was found in foreign demand as the alternative to declining domestic demand, while other changes were imposed through the PAEF. Some of these changes consisted of measures aimed at improving the sustainability of public finances, greater flexibility of the labour and product markets, the streamlining of the judicial system, and the strengthening of the banking sector.

These reforms have produced discernible positive results, in particular regarding the rise in net exports; however, they have also generated adverse consequences, namely through an immediate and substantial increase of unemployment and decrease of disposable income. There are no guarantees that the structural changes already implemented will be sufficient to provide the Portuguese economy with the competitive levers that will enable it to produce strong enough growth to absorb the high levels of public and private indebtedness. A potential materialisation of these risks constitutes an important threat to the profitability of the Bank, due to the restriction it poses to the growth of business volumes, the maintenance of loan impairment at penalising levels and the weak

performance of the financial assets comprising the Bank's portfolio – in particular, the Portuguese public debt securities.

***The Portuguese economy is subject to the performance and potential deterioration of foreign economies.***

In light of constraints on domestic demand, economic activity in the main countries receiving Portuguese exports is extremely important to the Portuguese economy. Such economic activity will also impact the achievement of fiscal and structural targets required by the European authorities under the recently reinforced rules on macroeconomic stability, including the Fiscal Compact or Fiscal Stability Treaty and legislative measures implemented under the Stability and Growth Pact. The possible deterioration of economic activity for the main trading partners of Portugal could increase the risk of recession in the EU, which would exacerbate the economic and financial difficulties being experienced in Portugal. Despite the strengthened resilience, market diversification and increasing technological sophistication of Portuguese exports, particularly since 2010, the recovery of net exports has denoted a marked loss of vigour since the last quarter of 2012 due to the cooling of exports of goods and the increase of imports – a trend that may extend throughout 2014. In this context, it is possible that a decrease in external demand may negatively impact the growth of the Portuguese economy. Such decrease may be derived from, among other factors, excessive levels of European debt, lower effectiveness of the transmission of monetary policy in a context of interest rates close to zero and the persistence of a climate of uncertainty and speculation inhibiting the creation of value that would have otherwise resulted from a full exercise of economic integration. The gains derived from the diversification of exports to markets outside the EU – particularly to countries in Africa and Latin America – may become less profitable if, among other adverse factors, competition intensifies, protectionist policies arise or the prices of the commodities on which those economies are heavily reliant upon fall markedly.

Any other significant deterioration of global economic conditions, including the credit profile of other countries of the EU, the solvency of Portuguese or international banks or changes in the Eurozone, may lead to concerns relating to the capacity of the Portuguese Republic to meet its funding needs. Any deterioration could have a direct impact on the value of the Bank's portfolio of public debt bonds. Any permanent reduction of the value of public debt bonds would be reflected in the Bank's equity position.

Moreover, any such deterioration of economic conditions could strongly affect the Bank's capacity to increase and/or generate capital and observe the regulatory minimum capital requirements, and could limit the Bank's capacity to obtain liquidity. Any of the foregoing could have a material adverse effect on the Bank's business, financial condition or results of operations.

***The successful conclusion of the PAEF does not eliminate the risk of further deterioration of Portugal's economic and financial condition.***

The successful conclusion of the PAEF (Source: IMF statement, 2 May 2014) upon the satisfaction of the requirements set by the updated revisions of the 2011 Memorandum of Understanding between the Portuguese State and the Troika and those added during the implementation of the PAEF does not preclude the need for additional austerity measures or structural adjustment actions to comply with the European treaties and directives, which may cause sudden and unexpected political or social instability and impart short-term recessionary effects. In such circumstances, banking activity may be subject to an adverse economic and financial climate. Moreover, with the termination of the guaranteed funding provided under the PAEF, the Portuguese State will need to pursue alternative funding strategies, which could carry certain risks.

Such alternative funding strategies could require the Portuguese Treasury to rely solely on the capital markets for its wholesale funding or could compel the establishment of a precautionary credit line with the European Stability Mechanism ("ESM"). In the immediate aftermath of the PAEF's completion, the Portuguese government chose to rely solely on the capital markets for its wholesale funding (as further detailed in the Eurogroup Statement of 5 May 2014). In any event, and like other Member States, it maintains the possibility of accessing ESM assistance. Either strategy could render the Portuguese Treasury more vulnerable vis-à-vis investors' sentiment regarding Portugal's perceived economic and financial prospects or could trigger more restrictive conditions, possibly in the form of tougher fiscal measures and further structural reforms, in addition to greater surveillance by European authorities. As such, it is uncertain that the Portuguese economy, in both the public and

private spheres, will be able to garner the capital needed to fund a full economic recovery. Moreover, recovery may be negatively impacted by continued exposure to the risks of a recessionary relapse, a material deterioration of the public accounts or an external economic or financial shock. If any of these risks were to materialise, Portugal could be forced to ask for a second financial assistance programme, which would imply adverse economic and financial consequences for the operation, profitability and financial soundness of the Bank.

In this context, negative macroeconomic effects stemming from Portuguese or European public finances and the volatility of international financial markets may continue to hinder the liquidity and profitability of the Portuguese financial system, which might result, for instance, in the devaluation of the Bank's holdings of Portuguese sovereign debt securities; liquidity restrictions to the Portuguese banking system and its concomitant dependence on external institutional funding; an increase in competition for customers' deposits and concomitant rise in cost; falling demand for banking products; limited lending; and the deterioration of the quality of the Bank's loan portfolio. Any of the foregoing could have a material adverse effect on the Bank's business, financial condition or results of operations.

***The global financial and European sovereign debt crises have limited the Bank's access to the capital markets, leading to dependency on the ECB for access to funding.***

The ECB has been a major funding source used by the majority of Portuguese banks during the financial crisis and the European sovereign debt crisis. On 18 July 2013, the Board of Governors of the ECB announced the adoption of new haircuts tables in the fourth quarter of 2013, notably for marketable assets, which had an adverse impact on the Bank's pool of eligible collateral. Accordingly, on 31 March 2014, the Bank had EUR 9.2 billion net of loans outstanding with the ECB, corresponding to 11.3% of the Bank's liabilities. On 31 December 2013, the Bank had EUR 10.0 billion net of loans outstanding with the ECB, corresponding to 12.7% of the Bank's liabilities. According to the latest available data, in May 2014, the Bank used EUR 10.0 billion of the ECB's refinancing facilities (corresponding to 23.6% of the total usage of the Portuguese banking system), a level that stands clearly below the maximum value of EUR 17,435 million recorded in April 2011 and that emphasises the gradual reduction of the Bank's dependency on the liquidity provided by the ECB. As at 31 May 2014, the Bank had a total of EUR 19.6 billion of assets eligible for refinancing in the ECB, of which EUR 8.9 billion is available.

The Bank's pool of eligible assets could be further eroded as a result of price devaluations, increase in haircuts following credit downgrades or even the loss of eligibility of certain assets, namely those that benefit from measures implemented by the ECB to support liquidity, including the acceptance of debt instruments issued or guaranteed by the Portuguese Government and additional credit claims. The reduction of the pool of eligible assets and the increased difficulty in managing eligible assets to compensate for such loss of eligibility would have a negative impact in terms of liquidity, requiring the Bank to find alternative funding sources, which may have a negative impact on the Bank's business, financial condition or results of operations.

The objective of the Bank is to reduce its funding dependency on the ECB in the short-to medium term by reducing the commercial gap and issuing debt in the international wholesale funding markets. The Bank is implementing various measures to diversify its funding sources, having also accelerated its deleveraging process, and aims to increase customer funds, which could present a risk of increased cost of deposits (as at 31 March 2014, customer deposits accounted for 68% of the funding structure) and reduce the granting of loans.

The uncertainty surrounding access to capital markets as a source of funding for the Bank may also hinder the Bank's ongoing deleveraging process, requiring the Bank to further maintain an excessive dependence on funding from the ECB. Increased market risk perception associated with accessing the markets and/or the persistency of the uncertainty surrounding access to the capital markets would exert pressure on the Bank to seek alternative funding sources, to accelerate its capital and liquidity plan and to increase its pool of collateral eligible for funding by the ECB, although there can be no assurances that it would be successful in its efforts to do so. If this process is not accompanied by the re-pricing of loans, this could negatively affect the net interest income and overall results of the Bank. If regulators require a quicker reduction of exposure to the ECB or if there are restrictions to access ECB funding, the Bank may be forced to anticipate the compliance time frame of its capital and liquidity plan, which would likely reduce profitability and hinder the deleveraging process. In addition, in the current economic climate, a review of liquidity conditions by the ECB could force the Bank to dispose of assets at a

potentially significant discount in relation to their respective book values, with a corresponding negative impact on capital position and results of operations.

***The Bank is exposed to the risk of a deterioration of the sovereign risk premium.***

Despite a strong improvement in the interest of international investors for Portuguese sovereign debt, as evidenced by the strong narrowing of the spread between the respective yield and those of the German public debt with equivalent maturities there is no guarantee that this trend will continue. The high level of indebtedness of the Portuguese Republic, combined with uncertainty regarding the long-term growth potential of the domestic economy may result in a deterioration in the sovereign risk premium for Portuguese public debt securities in access to the secondary debt markets and access of the Portuguese Republic to primary debt markets. Such risk could be exacerbated by a reduced confidence in international financial markets or be triggered by a weak performance of the domestic economy or disturbances in the local political environment.

Should the foregoing occur, the resulting substantial worsening of sovereign debt risk could negatively impact the Bank's liquidity position, both through funding difficulties and the reduction of the pool of assets eligible for discount at the ECB, in addition to funding costs and the Bank's capacity to increase its loan and asset portfolio with a negative impact on the financial condition, credit quality and operating results of the Bank. These circumstances could be further aggravated by persistent volatility in the financial sector and capital markets or by financial difficulties, including the possible default of one or more financial institutions, which could lead to significant liquidity problems in the market in general, and to losses and defaults by other institutions. Furthermore, it is not possible to predict from current market conditions which structural and/or regulatory changes may be effected or if such changes could have a negative impact on the Bank. If current market conditions continue to deteriorate, especially for an extended period of time, this could lead to a reduction in credit availability, credit quality and increased default on debt, which could have a negative impact on the Bank's rating, business, financial condition, results of operations and prospects.

***Changes to the Portuguese government's economic policies may negatively impact the Bank's activities.***

Upcoming parliamentary elections in Portugal in the second half of 2015 could disrupt the continuation of the implementation of economic policies aimed at restoring the sustainability of public debt and achieving required fiscal adjustment, which were in force during the period of implementation of the PAEF. Any such changes could affect the execution of the adjustment policies post-Troika, impacting the conditions surrounding access to the international capital markets, both for the Portuguese Republic and the Bank, which could result in a second bail-out for the Portuguese economy. Such events may have a material adverse effect on the Bank's business, financial condition or results of operations.

***The Bank is exposed to risks associated with deflation.***

The resolution of recent economic turbulence remains uncertain and subject to changes in investor sensitivity and the current economic regime, and remains in need of an improvement in price competitiveness.

Such an environment is prone to deflationary pressures. In extreme cases, an unanticipated market shock that impacts confidence levels may lead to a downward spiral of economic activity, employment rates, companies' income levels and prices, with adverse repercussions on the Bank's business prospects and profitability.

In the Eurozone, the annual inflation rate in May 2014 was 0.5%, prolonging the downward trend since the beginning of 2012. According to the ECB analysis, the inflation rate is expected to remain at low levels for a prolonged period of time. Consequently, the ECB decided to implement new stimulus measures to fight the risk of deflation and contribute to the price stability goal, defined as an inflation rate close to 2%. In Portugal, the inflation rate in the same period was moderately negative (-0.3%), having stood below zero since February 2014.

A context of a general reduction in prices affects expenditure, consumption and investment decisions, while increasing the real cost of debt and the risk of insolvency of companies, in particular when debt levels are very high, as is the case in Portugal. A typical response of central banks to deflation is to aggressively reduce interest rates, in certain instances to negative figures, thus placing a downward pressure on the interest rate levels applied in

the market. The ECB announced on 5 June 2014 a set of measures aimed at strengthening economic activity and reducing the risk of deflation. These include cutting the interest rate on the main refinancing operations of the Eurosystem to 0.15%, cutting the interest rate on the marginal lending facility to 0.35%, implementing a negative deposit facility interest rate (-0.10%), setting the features of monetary policy operations with settlement until December 2016 (MRO (main refinancing operations) and LTRO (longer-term refinancing operations)), and implementing measures to enhance the functioning of the monetary policy transmission mechanism by supporting lending to the real economy (TLTRO (targeted longer-term refinancing operations)).

A deflationary environment may affect the financial condition of the Bank, namely: (i) by reducing business volumes due to a decrease in expenditures commensurate with the expected contraction of economic activity; (ii) by compressing the net interest margin, as imbalances may arise between the indexing of income yields to market reference rates, which remain at very low or negative levels, and the income paid on fixed interest-bearing liabilities, representing a real burden on debt; (iii) by reducing the relative income benefit on demand deposits; (iv) by lowering asset quality, as the credit at risk increases or the assets on the balance sheet or collateral have been devalued; (v) through expectations of market participants and economic agents, making it more difficult or costly for regular financing in wholesale markets and establishing a climate of uncertainty and volatility in financial markets, in trading results and on counterparty risks.

A deflationary environment in general could adversely affect the Bank's financial condition, results of operations and prospects.

***The Treaty on Stability, Coordination and Governance of the EMU will permanently condition economic policymaking with potential adverse effects on the Bank's operational activity.***

On 14 June 2013, the Treaty on Stability, Coordination and Governance of the EMU was adopted into national legislation in order to strengthen fiscal discipline through the introduction of a "balanced budget rule" and an automatic mechanism for corrective action. In particular, the treaty states that the structural budget deficit in each country must not exceed 0.5% of GDP at market price. Additionally, fiscal balances of the Member States must comply with specific medium-term objectives, as defined under the Stability and Growth Pact, and must be monitored annually in the context of the European semester. If a Member State deviates from the defined goal, an automatic corrective mechanism would be activated. Member States whose debt exceeds 60% of GDP will be required to adopt measures aimed at reducing their debt at a pre-set rate, taking as a reference standard reduction at an average rate of one twentieth per year (even if their deficits are below 3% of GDP, which constitutes the reference value for the European Union).

Given the current magnitude of Portuguese government debt (132.3% of GDP in the first quarter of 2014, according to the Bank of Portugal), these measures will likely impose a long-term limit on the ability of the government to stimulate economic growth through increased expenditure or a reduction of the tax burden.

Any limitation on the growth of the Portuguese economy could have a material adverse effect on the Bank's business, financial condition, results of operations or its prospects. All these factors could contribute to a deterioration of the financial and economic condition of the Bank.

***The Portuguese Republic may be subject to downgraded rating reviews by the rating agencies, which could affect the funding of the economy and the Bank's activity.***

Rating agencies Standard & Poor's, Moody's, Fitch and DBRS have downgraded the long – and short – term ratings of the Portuguese Republic on several occasions since the beginning of the financial crisis due to the uncertainties and risks of a prolonged recession, the outlook for modest GDP growth, high levels of unemployment, limited fiscal flexibility, the high leverage of the private sector and the level of sustainability of Portuguese public debt.

Although the outlook for the Portuguese economy has improved recently due to a reduction of the budget deficit, a 0.5% growth in real GDP in the three months ended 31 December 2013, a quicker balance of payments adjustment within the Eurozone and increased market access, a further reduction of the credit rating of the Portuguese Republic may occur in the future. Such a downgrade could occur if, among other factors, the measures

taken by Portugal are seen as insufficient or there is a further deterioration of public finances. Portugal's rating could also be impacted by tax revenues that are lower than expected due to a weaker performance in economic activity under austerity measures, rising public debt as a percentage of GDP, the persistence of conditions hampering access to international funding markets and the failure of structural reforms. Moreover, any potential downgrades in the ratings of the Portuguese Republic's sovereign debt may result in a downgrade of the Bank's rating. Under any of these circumstances, Portugal's cost of credit may increase and its credit rating may be downgraded, which could limit the Bank's ability to raise capital in the interbank markets and, consequently, could have a material adverse effect on the Bank's business, financial condition or results of operations.

***A relapse of the sovereign debt crisis of the Eurozone may constitute a potential source of turbulence for the markets that may impact the Bank's activity.***

The financial crisis of 2007/2008 exacerbated the budgetary imbalances of various European countries, leading in 2010 to a sovereign debt crisis in the Eurozone. The response to the crisis has been multilateral and consisted of, among other things: relations and cooperation between Member States, reformulation of supervisory mechanisms, common fiscal measures, regulation of the financial system, mechanisms of emergency financial support to Member States, and the adoption of exceptional mechanisms concerning monetary policy. These reforms constitute a profound review of the operating regime of the EMU, and certain solutions have not always been consensual or given rise to the intended outcomes.

Accordingly, in spite of the recent successful conclusion of assistance programmes by Ireland and Portugal and certain agreements signed with the EU and the EMU, uncertainties still remain as to the permanent settlement of the sovereign debt crisis and the associated stability of the euro, especially in the context of concerns that the results of the European Parliament elections that took place on 22-25 May 2014 have strengthened the presence of extreme political viewpoints in the European Parliament and supported a movement against European integration, contributing to an increase in political instability across the region. Should any or all these risks materialise, the consequences for the underlying economic and financial environment faced by the Portuguese economy could be adverse, entailing severe pressure on the conditions and financing costs of Portuguese banks, particularly regarding deposits and asset depreciation, with a marked impact on the net interest margin and results of the Bank, credit impairments and mark-to-market valuation of financial assets.

Moreover, the impact of the potential departure of any country from the EMU could also have unpredictable consequences and would likely severely and negatively affect the Portuguese banking system and the Bank through, among other things, increased pressure on regular funding from customer deposits.

If customers decide to reallocate their savings towards other countries that are perceived to be fundamentally more stable than Portugal, additional pressure on the financing costs of Portuguese banks may adversely affect the net interest margin and the results of the Bank. Any of the foregoing could have a material adverse effect on the Bank's business, financial condition or results of operations.

***A material decline in global capital markets and volatility in other markets could adversely affect the activity, results and value of strategic investments of the Bank.***

Investment returns are an important part of the Bank's overall profitability, particularly in relation to the life insurance business carried out by the Millenniumbcp Ageas joint venture and the Bank's investment banking business. Uncertainty in global financial markets stemming from the price volatility of capital market instruments may materially and adversely affect the Bank's life insurance business and investment banking operations, impacting its financial operations and other income and the value of its financial holdings and securities portfolios.

In particular, a decline in the global capital markets could have an adverse effect on the sales of many of the Bank's products and services, such as unit-linked products, capitalisation insurance, real estate investment funds, asset management services, brokerage, primary market issuances and investment banking operations. As a minority shareholder of Millenniumbcp Ageas, the Bank is at risk of being required to inject capital into the company if its solvency ratio falls below a certain predefined level, which could occur if certain products of Millenniumbcp Ageas do not meet a minimum level of return.



Furthermore, the prolonged fluctuation of stock and bond market prices or extended volatility or turbulence of markets could lead to the withdrawal of funds from markets by investors, which would result in lower investment rates or in the early redemption of life policies. Any such decrease could negatively influence the placement of the Bank's investment products, including certain categories of life insurance.

Therefore, a decline in capital markets in general could adversely affect the Bank's financial condition, results of operations and prospects.

The Bank also maintains trading and investment positions in debt securities, foreign exchange, equity and other markets. These positions could be adversely affected by volatility in financial and other markets and in Portuguese sovereign debt (EUR 6.4 billion as at March 2014, of which EUR 4.3 billion is on the AFS (available for sale) book, EUR 1.9 billion is on the HTM (hold to maturity) book and EUR 188 million is on the trading book), creating a risk of substantial losses. In particular, the gains pertaining to the portfolio of Portuguese public debt were EUR 106.0 million in 2012 (in 2011 there had been a loss of EUR 128.2 million associated with public debt), EUR 69.5 million in 2013 and EUR 104.8 million in March 2014, with potential gains in the Portuguese public debt portfolio in March 2014 standing at EUR 162 million. However, a reversal of the recent downward trend in Portuguese government bond yields that led to the positive results observed in 2013 and during the first quarter of 2014 will likely not repeat in the future, and there is a risk that losses may arise. Volatility can also lead to losses relating to a broad range of the other trading and hedging products that the Bank uses, including swaps, futures, options and structured products. Significant reductions in estimated or actual values of the Bank's assets have occurred from previous events in the market. Continued volatility and further fragmentation of certain financial markets may affect the Bank's financial position, operating results and prospects. In the future, these factors may have an influence on day-to-day valuations of the Bank's financial assets and liabilities, recorded at fair value.

## **Legal and Regulatory Risks**

***The Bank is subject to increasingly complex regulation that could increase regulatory and capital requirements.***

The Bank conducts its business in accordance with applicable regulations and is subject to related regulatory risks, including the effects of amendments to laws, regulations and policies in Portugal and in other countries where the Bank operates. As a result of the economic and financial crisis which began in 2007, Portuguese and international regulatory entities, including the European Union, have considered significant changes to the Bank's regulatory framework, particularly in relation to capital adequacy and the scope of the Bank's operations. As a result, the Bank may face increased regulation that may materially and adversely affect the Bank's operations.

### *Capital Requirements*

The implementation of a more demanding and restrictive regulatory framework, with additional restrictions on financial institutions, in particular with respect to capital ratios, indebtedness, liquidity and disclosure requirements, even if beneficial to the financial system and of a preventive and temporary nature, will imply additional costs for banks.

Compliance with new regulations may increase the regulatory capital requirements and costs of the Bank, and could result in increased disclosure, restrictions on certain types of transactions, limitations on the Bank's strategy, and/or limitations or modification of the rates or fees charged by the Bank for certain loans and products. Any of the above may reduce the yield of the Bank's investments, assets or holdings, which could have a material adverse effect on the Bank's financial condition, results of operations and prospects.

Under the PAEF, Portugal agreed that while the PAEF is in force, the Bank of Portugal will require each of the banking groups it supervises to reach a Core Tier 1 Ratio of 10% by the end of 2012 and to maintain that level thereafter. This requirement was formally approved by the Bank of Portugal in its Notice No. 3/2011. In addition to these requirements, on 8 December 2011, the EBA recommended that European Union central banks temporarily increase capital requirements in connection with bank exposure to sovereign debt. For Portugal, this represented a substantial increase in capital strengthening requirements reaching a total of EUR 6,950 million, of which EUR 3,700 million relates to the sovereign debt buffer.

This recommendation was endorsed by the Bank of Portugal, which, in line with the guidelines issued by the EBA, established in Notice No. 5/2012, requires that these additional requirements should be complied with by 30 June 2012.

According to a recommendation from the EBA, European banks have been required to comply with a Core Tier 1 capital of 9% of RWA (risk weighted assets) at 30 June 2012, plus the sovereign buffer that currently exists during the transition to Basel III. On 22 July 2013, EBA released a new recommendation (EBA/REC/2013/03) establishing a nominal floor of Core Tier 1 capital corresponding to the amount of capital needed to meet the Core Tier 1 ratio of 9% as at 30 June 2012, including the same capital buffer for exposures to sovereign risk. This nominal floor was implemented to ensure an appropriate transition to the stricter requirements of the CRD IV/CRR. However, this rule may not apply if a bank complies with a Core Tier 1 ratio in Basel III (fully implemented) of 7% or if a bank is undergoing restructuring. Given that the Bank is currently subject to the Restructuring Plan, it submitted a request pursuant to the above caveat to the Bank of Portugal, which was resolved on 21 May 2014, resulting in a waiver of the nominal amount of Core Tier 1 capital necessary to meet the requirements defined in the 21 May 2014 recommendation.

Pursuant to Notice No. 6/2013 and EU Regulation 575/2013, the Bank of Portugal has established that domestic banks and Portuguese branches of foreign credit institutions are obliged to permanently maintain a common equity tier 1 (“**CET 1**”) capital ratio level of at least 4.5% and a Tier 1 capital ratio level of 6% during the period from 1 January 2014 to 31 December 2014. Notwithstanding the foregoing, the Bank of Portugal has also established that Portuguese institutions and Portuguese branches of foreign credit institutions are required to permanently ensure the maintenance of a CET 1 ratio of at least 7% and that, whenever this goal is not achieved, said institutions must adopt capital conservation measures.

It is currently unclear how long Portuguese banks will be required to comply with the EBA recommendations, and there can be no guarantee that temporary capital requirements are not maintained or will not be further increased in the future. Further increases in the Bank’s capital adequacy requirements may result in the Bank needing additional capital in order to comply with the more demanding capital ratios, thereby increasing the Bank’s costs and lowering the profitability of such capital.

Additional requirements may also lead to the Bank being unable to repay the Core Tier 1 Capital Instruments on the schedule contemplated in its recapitalisation plan (the “**Recapitalisation Plan**”), in the restructuring plan (the “**Restructuring Plan**”) or under applicable law. Any of the above events could have a material adverse effect on the Bank’s financial condition, results of operations and prospects.

The enhanced supervision by the Bank of Portugal as a result of the PAEF agreed with the Troika could increase costs and potentially force the Bank to sell some of its non-core assets under distressed conditions. As a consequence, the Bank might be confronted with the need to further increase its capital base or further restrict its policy of profit distribution beyond the requirements already included in the Recapitalisation Plan and the Restructuring Plan. Moreover, the Bank could be faced with additional constraints concerning the management of its assets and liabilities in the context of the commitments undertaken under the Recapitalisation Plan, the Decision 8840-B/2012 of the Portuguese Minister of State and Finance (the “**Minister of State and Finance**”) of 28 June 2012, as amended, published in the Supplement of the Official Gazette, 2nd series of 3 July 2012, approving the public investment pursuant to the Recapitalisation Plan and the respective annexes or the aforementioned documents or of the Restructuring Plan.

The Core Tier 1 ratio of the Bank stood at 13.9% (IRB approach) (calculated in accordance with the rules of the Bank of Portugal) on 31 March 2014. The EBA ratio stood at 11.0% and adjusted for the sovereign buffer the ratio stood at 12.9%. However, it is not possible to guarantee that the Core Tier 1 ratio will remain above the minimum values established by the Bank of Portugal in the abovementioned Notices No. 3/2011, No. 3/2012 and No. 6/2013 in the future. The CET 1 ratio, fully implemented as at 31 March 2014, stood at 5.4% (and would have been 8.4% if calculated assuming a conservative interpretation (although not definitive) of the legislative proposal made public on 12 June 2014 concerning the deferred tax assets reform). The leverage ratio as at 31 March 2014 stood at 2.9% (and would have been 4.5% as calculated assuming a conservative interpretation (although not definitive) of the legislative proposal made public on 12 June 2014 concerning the deferred tax assets reform),

compared with a minimum reference value of 3% (fully implemented). The Liquidity Coverage Ratio and Net Stable Funding Ratio stood at 512% and 121%, respectively, compared with a reference value of 100% (fully implemented). If the Bank's capital ratios fall below the minimum threshold, the Bank may need to adopt additional measures, such as an acceleration of the deleveraging process, the reduction of RWAs, the sale of non-core assets and other measures, to strengthen its Core Tier 1 and CET 1 ratios. As a result, increased capital requirements could have a material adverse effect on the Bank's financial condition, results of operations and prospects.

### *Basel III*

On 12 September 2010, the Basel Committee on Banking Supervision announced a new agreement on banking supervision, known as Basel III, which has amended most of the minimum requirements relating to capital and liquidity. This agreement has stricter capital requirements that will be applied over a transitional period in order to mitigate their impact on the international financial system. The minimum capital requirements for CET 1 capital will gradually increase from 3.5% of risk weighted assets as at 1 January 2013 to 7% of risk weighted assets, including the capital conservation buffer, by 2019. The total solvency ratio will increase from 8% to 10.5% between 2016 and 2019. Further changes include: (i) a progressive increase of the common equity ratio from 3.5% to 4.5% by 2015; (ii) a progressive increase of the Tier 1 ratio from 4.5% to 6% by 2015; (iii) an additional requirement of a capital conservation buffer of 2.5% on common equity, with phased implementation from 2016 to 2019 and restrictions on bank capacity to pay dividends or make other payments, to be defined, if the capital is below the common equity ratio and capital conservation ratio; (iv) a countercyclical capital buffer, which will stand between 0% and 2.5% of risk weighted assets, with loss absorption properties, according to the credit cycle phase pursuant to its application by the national supervisory authorities; and (v) the leverage ratio will be tested for a non-adjusted ratio of 3% risk.

Furthermore, the Basel III framework also contains stricter requirements regarding the quality of the capital that may be considered CET 1 capital and for the calculation of risk weighted assets. Full implementation of Basel III is expected to occur by the beginning of 2019. It is expected that the main impacts of Basel III on consolidated capital ratios will be related to deferred tax assets, expected loss impairment provisions, the pension fund corridor, minority holdings in consolidated subsidiaries, significant holdings in non-consolidated financial institutions, and the increased capital requirements for market and counterparty risks.

The demand for additional capital adequacy requirements from the Bank may result in the need to further reinforce its equity in order to fulfil more demanding capital ratios, thereby increasing the costs to the Bank and reducing such equity's profitability. The implementation of additional capital requirements may also hinder the Bank's ability to reimburse the hybrid instruments in the amount of EUR 3 billion issued by the Bank on 29 June 2012 and subscribed by the Portuguese State (the "GSI") according to the schedule contemplated by the Recapitalisation Plan, the Restructuring Plan and by law. Any of the abovementioned situations may negatively impact the Bank's financial condition, results of operations and prospects. However, the reimbursement of the GSIs in the amount of EUR 400 million on May 2014 and the intention to repay more EUR 1,850 million in the near future, after the recent completion of the rights issue in the amount of approximately EUR 2,242 million and the approval of the Bank of Portugal minimise these risks.

On 12 June 2014, Directive 2014/59/EU of the European Parliament and of the Council, of 15 May 2014, was published, establishing the EU Bank Recovery and Resolution Directive ("**BRRD**"), which acts as a framework for the recovery and resolution of credit institutions and investment companies. The directive represents the implementation in the EEA of the Basel Committee on Banking Supervision's press release, issued on 13 January 2011, "Minimum requirements to ensure loss absorption at the point of non-viability".

The BRRD provides national authorities with common tools and powers to address banking crises pre-emptively in order to safeguard financial stability and minimise taxpayers' exposure losses. Member States have until 31 December 2014 to adopt and publish the legal, regulatory and administrative provisions necessary to comply with the directive.

The powers provided to resolution authorities in the BRRD include write down and conversion powers to ensure that capital instruments (including Additional Tier 1 and Tier 2 instruments, as defined in Basel III) and

eligible liabilities fully absorb losses at the point of non-viability of the issuing institution. Accordingly, the BRRD contemplates that resolution authorities may require the write down of such capital instruments and eligible liabilities on a full or permanent basis, or their conversion into full CET 1 instruments, to the extent required and up to their capacity, immediately before the application of any other resolution action, if any. The BRRD provides, *inter alia*, that resolution authorities shall exercise the write down power in a way that results in (i) CET 1 instruments being written down first in proportion to the relevant losses and (ii) thereafter, the principal amount of other capital instruments being written down or converted into CET 1 on a permanent basis, and (iii) thereafter, eligible liabilities being written down or converted in accordance with a set order of priority.

These rules, besides affecting the Bank's levels of autonomy, could increase the cost of Additional Tier 1 and Tier 2 instruments and thus negatively impact the Bank's results if it needs to issue such instruments in the context of the current changes in the regulatory framework. These instruments may also result in a potential dilution of the percentage ownership of existing shareholders, given their convertibility feature.

In addition to the rules regarding capital requirements, Basel III recommendations also provide for the setting of short- and long-term liquidity ratios and funding ratios referred to as "**Liquidity Coverage Ratio**" and "**Net Stable Funding Ratio**", respectively. The Liquidity Coverage Ratio, for which implementation is recommended to be carried out as 60% in 2015 with an annual increase of 10% until it reaches 100% in 2019, concerns the sufficiency of high quality liquid assets to meet short-term liquidity needs in high stress scenarios, where the value of these assets may not be less than 100% (from 2019 onwards) of net outflows of cash flow for the 30 days following the relevant stress date. Moreover, within the scope of CRD IV/CRR, on 31 December 2013 the EBA issued the definition of and operational requirements criteria for both the extremely high quality liquid assets and high quality assets. The EBA recommended to consider all sorts of bonds issued or guaranteed by the European Economic Area ("**EEA**") sovereigns and EEA central banks in the domestic currency and also those issued or guaranteed by supranational institutions as transferable assets of extremely high quality and defined the standards of credit quality and eligibility of mortgage bonds, corporate bonds, RMBS (residential mortgage-backed security) bonds and bonds issued by local government institutions as assets of high liquidity and credit quality. Furthermore, the EBA recommended considering as high quality liquid assets common equity shares in accordance with the requirements established in par. 54 (c) of the text of Basel III. The Net Stable Funding Ratio, for which implementation is recommended to be carried out in 2018, seeks to establish a minimum amount of stable funding based on the liquidity features of assets of the relevant institution and its activities during the period of one year.

The profitability of financial assets is generally inversely correlated with their liquidity. To that extent, compliance with these ratios by the Bank may lead to the need to strengthen or create a portfolio of highly liquid but low profitability assets and/or an increase of funding costs, since the method for calculating these ratios favours long-term over short-term funding, which may therefore negatively impact the Bank's financial condition, results of operations and prospects.

In addition to these requirements, institutions identified as systemically relevant at a worldwide level might be subject to even more demanding and restrictive requirements. While the Bank does not anticipate that Portuguese banks will be classified as systemically relevant at a global level, there are, however, proposals that this principle should also be applied at a national level. If this occurs, the Bank's classification as systemically relevant for Portugal could result in additional costs for the Bank, causing a negative impact on the Bank's financial condition, results of operations and prospects.

Significant uncertainty remains concerning the final requirements and implementation of Basel III, namely in the European Union through the CRD IV/CRR. If these measures are implemented as currently proposed, it is expected that this will have a significant impact on the capital and the management of assets and liabilities of the Bank, which would likely have an adverse effect on the Bank's financial condition, results of operations and prospects.

Despite the new regulatory framework already being in effect, the EBA extended until 30 June 2014 the deadline for the delivery of the first regulatory report under the CRD IV/CRR, with reference as of 31 March 2014. Notwithstanding such extension, the Bank's CET 1 ratio estimated in accordance with the transitional arrangements

of the CRD IV/CRR stood at 12.2% as at 31 March 2014, while the Liquidity Coverage Ratio and Net Stable Funding Ratio were estimated at 512% and 121%, respectively, on the same date.

#### *New credit institution restructuring rules*

The international financial crisis led to the adoption of legal mechanisms to address situations in which an institution's financial situation begins to show signs of deterioration, so as to enable the swift adoption of measures aimed at preventing the risk of contagion to other institutions. These proposals identified the need to entrust supervisors with a series of preventative intervention powers under a harmonised system within the European Union.

To this end, Decree-Law No. 31-A/2012, of 10 February 2012, amended various rules of the General Framework of Credit Institutions and Financial Companies (the “**Banking Law**”) to replace the existing credit institution restructuring system with a new regime characterised by three different intervention phases, depending on the severity of the risk or degree of an institution's non-compliance with relevant regulation. The Bank of Portugal will be responsible for the choice of the method of intervention and adoption of specific measures.

The new regime requires the preparation of recovery and resolution plans to be submitted periodically to the Bank of Portugal, who will be responsible for approving them or requesting their modification. Such anticipatory measures will ensure sufficient planning in the event of the need for the recovery or resolution of a credit institution, while also enabling the Bank of Portugal to detect and remove constraints to the application of resolution measures.

The provisional administration phase will correspond to situations that may place the financial balance of the institution at serious risk or constitute a threat to the stability of the financial system. At this stage, the Bank of Portugal will have the ability to suspend the management body of a credit institution and manage its reconstitution.

In the extreme case of a credit institution being at serious risk of failure or non-compliance with its regulatory requirements, supervisory authorities may apply certain measures of last resort, including the total or partial disposal of the business of such credit institution or the transfer of assets, liabilities, off-balance sheet items or assets under management to a bridge institution.

The application of these types of measures will naturally depend on their necessity to prevent systemic contagion or possible negative impacts on the financial stability plan, with a view to minimising costs for the public treasury or safeguarding the trust of the depositors. Pursuant to the preamble of the Banking Law, “its application should seek to assure that the shareholders of the credit institution, as well as its creditors, are the first to assume its losses, in accordance with the respective hierarchy and under conditions of equality within each category of creditors”.

As is already the case in other countries, a resolution fund has been created for the purpose of providing financial support for the application of any resolution measure that might be adopted by the Bank of Portugal (the “**Resolution Fund**”). The Resolution Fund foresees the participation of credit institutions based in Portugal, including the Bank, branches of credit institutions in states not belonging to the European Union and relevant companies for the management of payment systems subject to supervision by the Bank of Portugal, in addition to certain types of investment companies.

The Banking Law also reviewed the special winding-up system of institutions subject to supervision by the Bank of Portugal, including, in particular, the constitution of credit privileges applicable to loans backed by deposits covered by deposit guarantee funds, in addition to loans certified by the Deposit Guarantee Fund, Crédito Agrícola Mútuo Guarantee Fund or the Resolution Fund, arising from any financial support that these institutions might provide under the application of resolution measures, within the framework of applicable legal limitations.

Although these measures contribute to the flexibility of regulators to intervene and help reduce systemic risk in the restructuring and resolution process, their effective implementation may result in increased expenses or, particularly in the case of effective implementation, losses that negatively impact the Bank's financial condition, results of operations and prospects.

***The implementation of the Banking Union could impose further regulatory requirements that may adversely impact the Bank's activities.***

Legislation, including notably the BRRD, has been approved at the European Union level to implement the Banking Union as an integrated financial framework in an effort to promote stability of the financial system and minimise the incidences and costs of future banking crises. The Banking Union will centralise the direct supervision of certain Eurozone banks in the ECB, governed by a consolidated rulebook providing for minimal capital requirements, harmonised deposit protection schemes, and a unified European financial services framework. The rulebook also dictates the quality of capital and liquidity and leverage, imposing more demanding thresholds than those required under the previous general framework of Basel II.

In the event of a bank's critical financial instability, the Banking Union's framework is also being designed to minimise the impact of any particular bank's financial difficulties on the financial system and on taxpayers. Under the envisaged single resolution mechanism, shareholders would be the first to bear losses, followed by lenders; guaranteed deposits are expected to be safeguarded and creditors should not bear losses greater than those that they would have been suffered had the institution been liquidated under ordinary insolvency proceedings. As such, the Banking Union, and in particular, the use of instruments and resolution powers set out in the directive, could interfere with the rights of shareholders and creditors.

In particular, the granting of the power to the relevant authorities to transfer the shares and all or part of the assets of an institution to a private buyer without the consent of shareholders would affect the property rights of those shareholders. Moreover, the power to decide which liabilities may be transferred from the Bank to an institution in a state of collapse with the purpose of ensuring the continuity of services and avoiding negative effects to financial stability, may affect the equal treatment of creditors.

Modifications to the current regulatory regime may require changes to the strategic positioning of financial institutions, including their business model and risk exposure, and could result in additional costs in order to ensure compliance with the new requirements at all times. Therefore, the new regulatory regime, even if gradually implemented until the beginning of the next decade, will constrict certain freedoms previously extended to the Bank. This may potentially restrict the Bank's ability to comply with its financial undertakings regarding the State aid repayment (notably the GSIs issued in 2012). and consequently, other debt instruments with higher degrees of subordination. However, the reimbursement of the GSIs in the amount of EUR 400 million on May 2014 and the intention to repay more EUR 1,850 million in the near future, after the recent completion of the rights issue in the amount of approximately EUR 2,242 million and the approval of the Bank of Portugal minimise these risks.

Under the new regulatory framework, the ECB, together with national authorities, will be responsible for banking supervision. At the same time, EBA will develop and monitor the implementation of the new framework. The BRRD will regulate the resolution authorities, which, together with the ECB, EC and national authorities, will be responsible for making decisions regarding distressed financial institutions, ensuring the stability of the financial system while minimising costs to taxpayers from a potential resolution process. The ECB will formally and fully assume its new banking supervision responsibilities in November 2014. The ECB will directly supervise approximately 130 financial institutions that are considered to be systematically relevant (i.e. with assets above EUR 30 billion or that represent at least 20% of the GDP of the country in which they are located or that benefit from State aid). The ECB's supervision of the approximately 6,000 other financial entities will be exercised in conjunction with national authorities. The Bank will be one of the entities under the direct supervision of the ECB. This change in the prudential supervision framework may represent additional capitalisation demands for the Bank. Moreover, the ECB may require the reclassification of assets and revision of coverage levels for impairment, which could subject the Bank to additional capital requirements. See *The implementation of a harmonised deposit guarantee system throughout the European Union may require additional contributions by the Bank*. These requirements may have to include, among other measures, the voluntary conversion of subordinated debt instruments, liability management exercises, asset sales and generating capital portfolios and securitisation portfolios, and revenue retention. Any residual capital deficit may need to be covered by recourse to State aid. This assistance involves an allocation of costs by shareholders and subordinated creditors, including the holders of hybrid capital instruments and subordinated debt holders. It may also take the form of conversion of major equity Tier 1 (CET 1) capital or a reduction in the value of the instruments. Under the current applicable regime, contributions from the priority debt holders (holders of

deposits, bonds and other priority debt) are not required. These demands, besides conditioning the Bank's current levels of autonomy, may result in the need to additionally reinforce the Bank's equity and could render it impossible for the Bank to reimburse the GSIs according to the timeline set out in the Recapitalisation Plan, Restructuring Plan or applicable law. Any of the abovementioned situations may have a material adverse effect on the Bank's results of operations and future prospects. However, the reimbursement of the GSIs in the amount of EUR 400 million on May 2014 and the intention to repay more EUR 1,850 million in the near future, after the recent completion of the rights issue in the amount of approximately EUR 2,242 million and the approval of the Bank of Portugal minimise these risks.

In addition, the Bank will be subject to certain "stress tests" to ensure it meets its capital requirements, the failure of which could have a negative effect on the Bank's business, financial condition or results of operations. (See *Risks Relating to the Bank's Business – The results of additional stress tests could result in a need to increase capital or a loss of public confidence in the Bank.*)

The BRRD, which establishes the framework for the recovery and resolution of credit institutions and investment companies, intends to grant the European Union a regulatory instrument that addresses credit institutions in a precarious financial situation or pending imminent collapse while ensuring the continuity of its financing and economic core functions, and therefore diminishing any impact on the financing system and taxpayers. Under this new framework, the shareholders will be the first to incur losses, followed by creditors, under a privileged creditor hierarchy that preserves guaranteed deposits, ensuring that no creditor will suffer higher losses than if the institution were liquidated under regular insolvency proceedings. Resolution mechanisms include the sale of part of the business or shares of the institution, the establishment of a bridge institution, asset separation and bail-in of distressed shareholders and creditors. The bail-in mechanisms ensure that shareholders and creditors support appropriate losses and an adequate portion of the resolution or recovery costs. The resolution authorities are expected to apply the bail-in tools in accordance with equal treatment of creditors and the credit hierarchy, promulgated in the insolvency legislation. The bail-in instrument will not be applicable to guaranteed credits and to certain types of liabilities seen as critical to the regular functioning of the institution. At all times, institutions must have an aggregate amount expressed as a percentage of the total liabilities of the institution which are expressed as own funds and subordinated and prioritised credits subject to bail-in measures that are not eligible as own funds. Member States must ensure that Additional Tier 1 and Tier 2 instruments completely absorb the losses when the institution is no longer viable. The powers provided to resolution authorities in the BRRD include write down and conversion powers to ensure that capital instruments and eligible liabilities fully absorb losses at the point of non-viability of the issuing institution. Such mechanisms and procedures may have direct and indirect implications for the value of the Bank's liabilities, which may be subject to the greater inherent risk of this class of instruments and could reduce the potential profitability of the Bank. Any of the foregoing could have a material adverse effect on the Bank's business, financial condition or results of operations. See *The resolutions adopted by the European Commission relating to the BRRD may restrict the trading operations of the Bank and increase its refinancing costs.*

***The Bank is subject to extraordinary contributions for the Resolution Fund that could increase expenses or, particularly in the case of effective need, losses with a negative impact on the Bank's financial condition***

As is already the case in other countries, the Resolution Fund (as defined) has been created for the purpose of providing financial support in case of application of a resolution measure by the Bank of Portugal. The Resolution Fund foresees the participation of credit institutions based in Portugal, including the Bank, branches of credit institutions in states not belonging to the European Union and relevant companies for the management of payment systems subject to the supervision of the Bank of Portugal, in addition to certain types of investment companies.

Considering the recent decision from Bank of Portugal, the Resolution Fund will participate in the recapitalisation of Novo Banco (the good bank of ex-BES) in the amount of EUR 4.9 million. Novo Banco is expected to be sold in the next two years. Its sale price creates some uncertainty as to any potential loss in the Resolution Fund.

Although this Resolution Fund contributes to the flexibility of regulators to intervene and help reduce systemic risk in the restructuring and resolution process, its effective implementation may result in extraordinary contribution from the Bank with a negative impact on its results.

***The implementation of a harmonised deposit guarantee system throughout the European Union may require additional contributions by the Bank.***

The harmonisation of the deposit guarantee system, by the publication of Directive 2014/49/EU of the European Parliament and of the Council of 16 April 2014, concerning the deposit guarantee systems (“DGS”), may entail significant changes to the systems currently in force in individual countries. The changes contemplate the introduction of size- and risk-based contributions by entity and harmonisation of products and depositors covered, maintaining, however, the principle of a harmonised limit per depositor and not per deposit.

Member States must ensure that by 3 July 2024, the financial resources available to a DGS amount to a target-level of 0.8% of the amount of covered deposits of its members. After this target level is first reached, the available financial resources are reduced to less than two thirds of the target level, after which the regular contributions are fixed at a level that allows the target level to be reached within six years. If the available financial resources are not sufficient to reimburse the depositors, in the event of the unavailability of the deposits, the DGS members must pay extraordinary contributions not higher than 0.5% of its covered deposits for one year. In exceptional circumstances, and with the approval of the competent authorities, the DGS can request a higher amount of contribution.

As a result, the Bank may be required to contribute to the deposit guarantee system in sums that are much higher than those currently required and unforeseen additional costs may be created, having a negative impact on the financial condition and results of operations of the Bank.

The Member States should implement the majority of the legal, regulatory and administrative provisions required to comply with this directive until 3 July 2015.

***The resolutions adopted by the European Commission relating to the BRRD may restrict the trading operations of the Bank and increase its refinancing costs.***

The BRRD aims to equip authorities with common tools and powers to tackle bank crises at the earliest possible moment and avoid costs to taxpayers. The set of measures provided for in the BRRD includes preparatory and preventive measures, the attribution of powers to the supervising authorities enabling them to act in advance and that are triggered whenever a financial institution does not comply or it is likely that it will not comply with the regulatory requirements to which it is subject, as well as resolution instruments and powers to be used when a financial institution does not comply or is likely to fail. The application of these measures and powers will likely interfere with the rights of shareholders and creditors of the Bank.

Implementation of the BRRD also entails the establishment of national funds to support bank resolution.

Banks subject to the BRRD may be required to contribute to *ex ante* funds and in particular, to the Resolution Fund. The exact amount of such contributions has not been determined, but any requirement for banks to contribute to *ex ante* funds will increase the Bank’s costs.

Pursuant to the BRRD, credit institutions will be required to prepare and update recovery plans suitable for addressing liquidity problems, solvency or overall risk exposure. As a complement to resolution planning, authorities will have preventative powers including limiting or modifying risk exposure, enacting additional reporting requirements, restricting or prohibiting certain activities and changing group structures. These actions may negatively affect the Bank’s profitability and cost of funds and/or require the Bank to change its overall strategy.

As part of the early intervention powers provided for by BRRD, authorities will be vested with powers to prohibit the distribution of net income to shareholders or holders of hybrid securities, to replace managers for directors of a financial institution and to require the financial institution to dispose of assets that pose excessive or unwanted risk to the financial soundness of the institution. Such actions may negatively affect investors’ expected income and may have other adverse effects due to changes in the business lines of the Bank.



When dealing with failing financial institutions, regulatory authorities' resolution powers include, among others, the right to determine the transfer of assets, rights or liabilities to another entity, to write off or cancel shares, to write down or convert debt, to replace management and to demand continuity of essential services. (See *The Bank is subject to increasingly complex regulation that could increase regulatory and capital requirements*).

***The Bank is subject to the increase in obligations and effects resulting from the new legal framework aimed at preventing and monitoring the default risk of customers.***

At the end of 2012, a set of legal and regulatory rules were approved contemplating actions that credit institutions should follow for the prevention and monitoring of default situations in credit contracts entered into with private bank customers, including:

- Decree-Law 227/2012, of 25 October 2012, encouraging credit institutions to adopt an Action Plan for Default Risk (“**PARI**”, the Portuguese acronym), setting forth procedures and measures to prevent defaulting loans; and creating the Extra-Judicial Procedure for the Correction of Default Situations (“**PERSI**”, the Portuguese acronym), which aims to promote negotiations outside the courts between credit institutions and bank customers in cases of default of loan agreements. With respect to this, in 2013, 30,153 operations in connection with PARI were restructured, corresponding to a total amount of EUR 710 million, 10,265 of which comprised mortgage credit operations (EUR 668 million) and 19,888 comprised personal credit operations (EUR 84 million). In 2013, 6,958 operations in connection with PERSI were restructured, corresponding to a total amount of EUR 154 million; and
- Law 58/2012, of 9 November 2012, which provides for an extraordinary regime for the protection of home loan debtors in the event of certain economic situations.

Furthermore, in December 2013 the Bank of Portugal issued its Instruction No. 32/2013, which sets out the new method to identify and select credit restructuring events that are going through financial difficulties and should be qualified as a “restructured credit due to client financial difficulty”. These operations should be registered in the institution's information systems and must include the required fields of information, such as dates and previous operations that led to the present operation, in order to identify if it could be classified as “restructured credit due to client financial difficulty”, namely for the management credit risk in determining impairment of reports on the portfolio of loans and compliance with other prudential requirements purposes.

This legal framework sets forth an assortment of obligations for credit institutions and protection measures for bank customers, contemplating procedures for gathering information, contacting customers, monitoring the execution of loan agreements and managing default risk situations; duties to assess the financial capacity of the bank customer and the presentation of default correction proposals adapted to the debtor's situation; drawing up a plan for restructuring the debts emerging from home loans or replacing mortgage foreclosures, which may include the suspension of the mortgage foreclosure during the period of application of the protection measures, grace periods for the monthly payments of the borrower, extension of loan terms and reduction of spreads for the duration of the grace period, among others. If PERSI rules and principles apply to a customer, the Bank cannot (i) terminate the relevant agreements; (ii) initiate judicial proceedings against the debtor; (iii) assign its credits over the client; or (iv) transfer its contractual position to a third party.

The implementation of these legislative measures, as well as any potential additional regulatory or self-regulation measures, may lead to an increase of the Bank's credit impairment, which in turn could have a material adverse effect on the Bank's financial condition, results of operations and prospects.

These initiatives represent significant changes in terms of execution of loan agreements within an adverse economic environment. The associated costs with the implementation of these measures coupled with implicit limitations in terms of fees, financial margin and flexibility in terminating contracts, as well as the uncertainty regarding the behavioural effects that may result in response to these changes, may have a negative impact on the Bank's financial condition, results of operations and prospects.

***New provisions of the ECB relating to the discretionary acceptance of bank debt guaranteed by the national central banks contain risks relating to a reduced pool of eligible assets.***

The ECB delivered ECB Guideline No. 2013/4 on additional temporary measures relating to Eurosystem refinancing operations and eligibility of collateral (the “**Guideline**”) and amending ECB Guideline No. 2007/9. Among other rules, this Guideline states that the national central banks “*shall not be obliged to accept as collateral for Eurosystem credit operations eligible uncovered bank bonds which: (a) do not fulfil the Eurosystem’s requirement of high credit standards; (b) are issued by the counterparty using them or by entities closely linked to the counterparty; and (c) are fully guaranteed by a Member State: (i) whose credit assessment does not comply with the Eurosystem’s requirement of high credit standards for issuers and guarantors of marketable assets as laid down in Section 6.3.1 and 6.3.2 of Annex I to Guideline ECB/2011/14; and (ii) which is compliant with a European Union/International Monetary Fund programme, as assessed by the Governing Council*”. Additionally, the Guideline provides that, unless exceptional circumstances apply, where the Governing Council may grant exceptions for a maximum of three years, “*Counterparties may not submit as collateral assets in the Eurosystem monetary policy operations uncovered bank bonds issued by themselves or issued by closely linked entities and guaranteed by a European Economic Area public sector entity with the right to impose taxes in excess of the nominal value of these bonds already submitted as collateral on 3 July 2012*”.

These decisions and guidelines contribute to uncertainty regarding the liquidity buffers, given the discretionary nature of the decision by each national central bank, and have an indirect impact on the acceptance of this type of debt by third parties affecting capacity and speed in the return to market funding, which may lead to further isolation of the financial systems of the countries under adjustment programmes or with lower credit ratings. Any of the foregoing may have a negative impact on the Bank’s financial condition, results of operations and prospects.

***Changes to tax legislation, regulations, higher taxes or lower tax benefits could have an adverse effect on the Bank’s activity.***

The Bank might be adversely affected by changes in the tax legislation and other regulations applicable in Portugal, the European Union and other countries in which it operates, as well as by changes of interpretation by the competent tax authorities of legislation and regulation. In addition, the Bank might be adversely affected by difficulties in the interpretation of or compliance with new tax laws and regulations. The materialisation of these risks may have a material adverse effect on the Bank’s financial condition, results of operations and prospects.

The various measures approved by the Portuguese Republic to ensure budgetary consolidation, stimulate the economy and support the banking system have led to a considerable increase of public debt levels. In the context of low growth, the need to restore the balance to public finance in the medium term, as negotiated in the PAEF, will imply increased tax costs through the expansion of the tax base, tax rates and/or reduction of tax benefits, as well as increased restrictions on tax planning practices, which may directly affect the Bank’s net income and turnover. Moreover, changes in legislation may require the Bank to bear costs associated with participation in financial stabilisation mechanisms, at a national or European level.

For example, under Portuguese Decree-Law 55-A/2010 of 31 December 2010 and Ministerial Order (*Portaria*) No. 121/2011 of 30 March 2011, as amended by Ministerial Order No. 77/2012, of 26 March 2012, and Ministerial Order No. 64/2014 of 12 March 2014, a bank levy is now applicable to the Bank and will be applied over (i) the Bank’s liabilities at a tax rate of 0.07% and (ii) the notional amount of off-balance sheet financial derivatives, excluding hedging derivatives and back-to-back derivatives at a tax rate of 0.00030%. The taxable base is calculated by reference to an annual average of the monthly balances of the qualifying items, as reflected in the relevant year’s approved accounts.

The Bank also has ongoing ordinary course disputes with the tax authorities, including those related to (i) the additional settlement of corporate income tax for 2005 and 2006 and (ii) value added tax for 2004 and 2005. The Bank considers the provisions it has made regarding these disputes to be adequate cover for the risk of judgements against the Bank, but is unable to guarantee the outcome of such disputes.

***Implementation of legislation relating to taxation of the financial sector could have a material adverse effect on the Bank's results of operations.***

The Portuguese State Budget Law for 2013 and 2014 (Law No. 66-B/2012, of 31 December 2012 and Law No. 83-C/2013 of 31 December 2013) have both included legislative authorisations that allow the Portuguese Government to introduce a financial transaction tax ("FTT") under the scope of the Portuguese Stamp Duty. However, at present, an FTT has yet to be implemented in Portugal. The legislative authorisation provides a broad range of transactions that would fall under the scope of the proposed FTT, covering all the transactions involving the sale and purchase of financial instruments, namely (i) share capital participations; (ii) bonds; (iii) money market instruments; (iv) participation units on investment funds; and (v) derivative and structured financial products. According to the legislative authorisation, the expected rates are as follows: up to 0.3% on general transactions; up to 0.1% on highly frequent transactions; and up to 0.3% on transactions involving derivatives.

On 14 February 2013 the European Commission published its proposal for a Council Directive implementing enhanced co-operation in the form of an FTT, which was intended to take effect on 1 January 2014, but negotiations are still ongoing. The proposed Council Directive aims to ensure that the financial sector makes a fair and substantial contribution to covering the costs of the recent crisis and creating a level playing field with other sectors from a taxation point of view.

There can be no assurance that an FTT or similar additional bank taxes and national financial transaction taxes will not be adopted, at any moment, by the authorities of the jurisdictions where the Bank operates.

Any such additional levies and taxes could have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

***The Bank was charged and convicted by the CMVM (final decision) and the Bank of Portugal (subject to an ongoing appeal) in administrative proceedings in connection with certain transactions, including the financing of the acquisition of shares issued by the Bank by companies incorporated in certain offshore jurisdictions.***

*Summary of the Bank of Portugal and CMVM investigations and proceedings*

The Bank received formal notice dated 27 December 2007 that administrative proceeding No. 24/07/CO was being brought by the Bank of Portugal against the Bank based on preliminary indications of possible administrative offences, with respect to a possible breach of accounting rules, possible provision of false or incomplete information to the Bank of Portugal (in particular with respect to the amount of own funds) and a possible breach of prudential obligations. A press release issued by the Bank of Portugal on 28 December 2007 stated that the administrative proceeding was brought based on facts related to 17 offshore entities, whose nature and activities had not previously been disclosed to the Bank of Portugal, namely in prior investigations.

On 12 December 2008, the Bank was notified by the Bank of Portugal of an accusation under administrative proceeding No. 24/07/CO and timely submitted its defence. On 12 May 2010, the Bank was notified of the decision by the Board of Directors of the Bank of Portugal, applying to the Bank a single fine of EUR 5 million in addition to fines against certain other non-acquitted individuals. The Bank appealed this decision and in April 2011, judicial hearings were initiated in the *Tribunal de Pequena Instância Criminal de Lisboa* (the "**Small Instance Criminal Court of Lisbon**").

In the course of these hearings, a judicial order was issued in October 2011, declaring the evidence submitted null and inadmissible, and as a consequence, the entire proceeding was voided. The Public Prosecutor and the Bank of Portugal have appealed this decision and on 3 July 2012, the Lisbon Court of Appeal upheld such appeal and revoked the appealed judgement, determining that the trial hearing should resume.

Under a 27 February 2014 order, the Small Instance Criminal Court of Lisbon designated 31 March 2014 as the date to resume the hearing and also declared that all the infractions charged to an ex-member of the Board of Directors of the Bank were time barred. Regarding BCP, the same court declared the statute of limitations of two infringement proceedings regarding an alleged falsification of accounts by the Bank had expired. The trial regarding

other alleged infringements attributed to BCP was resumed at Small Instance Criminal Court and several hearings took place. The Public Prosecutor, the Bank of Portugal and all the defendants, including the Bank, have already presented their final arguments. The judgement is expected to occur until the end of the summer of 2014.

On 12 December 2008, the Bank was notified by the CMVM of an accusation under administrative proceeding No. 41/2008 and, on 27 January 2009, provided its defence. BCP was notified on 26 June 2009 of the CMVM's decision, to apply a one-time fine of EUR 5 million for disclosure of untrue information. The Bank appealed to the Small Instance Criminal Court of Lisbon, which, on 21 July 2010, confirmed the CMVM's decision, including the EUR 5 million fine. However, the Small Instance Criminal Court of Lisbon approved a part of the Bank's appeal regarding the partial suspension of EUR 2.5 million of the fine for two years.

Following the rejection of other appeals, the decision of 21 July 2010 of the Small Instance Criminal Court of Lisbon became final and the Bank has paid the EUR 2.5 million corresponding to the non-suspended part of the fine.

#### *Adjustment to the financial statements*

In December 2007, the Bank launched an internal investigation into the transactions surrounding the offshore entities mentioned above. The Bank has been responsive to the requests made by the CMVM and the Bank of Portugal, including the provision of requested documents.

In light of the preliminary indications regarding the then ongoing investigations by supervisory authorities and, following a more thorough review of these transactions, and their respective nature and structuring, in 2008 the Bank accepted a more conservative approach regarding the risks then currently identified in connection with these transactions. The Bank consequently agreed, without any admission of liability or wrongdoing, to take an impairment charge of EUR 300 million (impact of EUR 220.5 million net of tax effect) effective as of 1 January 2006, with respect to the series of transactions described below.

The impairment charge reduced the Bank's Tier I capital and the adjustment of the Bank's earnings could result in a loss of customer confidence, which could make it more difficult for the Bank to raise capital in the future. There can be no guarantee that the Bank will not be required or advised to make further adjustments, which may depend on the outcome of the Bank of Portugal and CMVM inquiries and proceedings or otherwise as a result of or in connection with the transactions described below.

Consequently, the development of regulatory investigations, any regulatory proceedings and liabilities resulting thereof, and any dispute arising from or related to the above, if decided against the Bank, could have a substantial negative effect on its activity and results.

#### *Summary of activities of offshore entities and related transactions*

The above inquiries, proceedings, subsequent impairment charge and adjustment of financials were made in connection with the following series of transactions.

Between 1999 and 2002, certain non-Portuguese incorporated offshore entities, which were financed by the Bank, acquired outstanding shares in the Bank equal to approximately 5% of the Bank's share capital as of November 2002. In November 2002, these offshore entities sold shares of the Bank they had acquired to a financial institution in exchange for cash and equity-linked notes, issued by that institution. In 2004, the loans originally granted by the Bank to these entities were restructured and assumed by a real estate development company ("GI"). Under these transactions, GI assumed net liabilities of EUR 450 million of the Bank. GI also acquired from the Bank a real estate holding company, Comercial Imobiliária ("CI"), for EUR 26 million and also acquired indirectly from the Bank a real estate portfolio for consideration of EUR 61 million. Later that year, the Bank reacquired an 11.5% stake in CI.

In 2005, CI issued EUR 210 million of commercial paper that was acquired by the Bank. The Bank subsequently contributed this commercial paper, together with other securities issued by listed companies, to the Bank's Pension Fund (the "**Pension Fund**"). The proceeds of the commercial paper issuance were used by CI to reimburse a portion of the loans payable to the Bank. In 2007, the commercial paper was converted into share

capital of CI, resulting in a shareholding of 68.34% by the GI Group and 28.29% by the Bank's Pension Fund following the share capital increase. The Pension Fund then sold 18.29% of CI's share capital to the Bank.

In 2006, CI acquired a 54% shareholding and economic interest in a real estate development project in Luanda, Angola (the "**Luanda Bay Project**"), and the Bank made a shareholder loan of EUR 300 million to CI, the proceeds of which were used to repay a portion of the Bank's outstanding loans to GI.

In 2007, the Bank accepted additional shares in CI (corresponding to 68.34% of its share capital) from GI as repayment of GI's outstanding loans from the Bank totalling EUR 61 million.

As a result of these transactions, (i) all of the original loans made by the Bank to the offshore entities (which were subsequently assumed by GI) were repaid; (ii) an impairment charge of EUR 85 million was recorded in 2005, for the credit at stake; (iii) the Bank held a EUR 300 million principal amount shareholder loan outstanding to CI (the net book value of such exposure being EUR 23.4 million after the impairment charge mentioned below); and (iv) the Bank became the owner of 99.9% of the equity of CI and, indirectly, of approximately 54% interest in the Luanda Bay Project (the 54% interest has been valued at between EUR 278.8 million and EUR 231.6 million by two independent appraisals in September 2007).

In light of the preliminary indications regarding the then ongoing investigations by supervisory authorities, and following a more thorough review of these transactions, their respective nature and structuring, the Bank accepted a more conservative approach regarding the risks identified in connection with these transactions. As a result, the Bank, without any admission of liability or wrongdoing agreed to take an impairment charge of EUR 300 million (impact of EUR 220.5 million net of tax effect) with respect to its loan outstanding to CI, as a result of CI valuing the 54% interest in the Luanda Bay Project at the investment cost of EUR 23.4 million. This decision did not imply the admission, by the Bank, of any alleged violations that could be attributed to the Bank. This impairment charge took effect on 1 January 2006, and the Bank's financial statements as of 31 December 2007 were adjusted to reflect the effects of this impairment charge as of 1 January 2006. When the Bank performed this adjustment, it had not been notified of any charges and did not admit, nor admits, any infraction or liability concerning any of the transactions described above.

During 2009, after analysing market conditions and the expected development of the Luanda Bay Project, the Bank decided to reduce its shareholding in the project to 10% through a sale to the Angolan company Finicapital—Investimentos e Gestão S.A., which resulted in proceeds of USD 100 million and generated a capital gain of EUR 57.2 million.

At this date, it is not possible to predict the final outcome of the proceeding initiated by the Bank of Portugal or whether new lawsuits or investigations will be initiated in the future. However, the Bank runs the risk of being subject to restrictive measures of civil, administrative or other natures, including fines, depending on the result of the accusations, investigations and proceedings in question. The Bank could also be subject to investigations or other proceedings by other regulators, or be subject to litigation in Portugal or elsewhere by shareholders or others, that, if adversely determined, could result in significant losses to the Bank and a decline in the Bank's corporate and debt ratings. These regulatory proceedings and any related litigation could result in adverse publicity or negative perceptions regarding the Bank's business, which would result in a loss of customers and, an increase in the Bank's cost of capital, and could divert management's attention from the day-to-day management of the Bank's business. Consequently, the abovementioned regulatory investigations, any subsequent regulatory proceedings and resulting liabilities, and any litigation arising from or otherwise relating to the transactions described above, if adversely determined, could have a material adverse effect on its financial condition, results of operations and prospects.

***The use of standardised contracts and forms carries certain risks.***

The Bank and its subsidiaries maintain contractual relationships with a large number of clients. In all of the Bank and its subsidiaries' business areas and departments, the management of such a large number of legal relationships involves the use of general terms and conditions and standard templates for contracts and forms. This standardisation implies that for subjects that need clarification, contain drafting errors or require individual terms and conditions, the use of standard contracts and forms may pose a significant risk due to the large number of contracts entered into under these conditions. In light of recent amendments to the applicable legal frameworks as a

result of new laws or judicial decisions, it is possible that not all standard contracts and forms used by the Bank comply with every applicable legal requirement at all times.

If there are drafting errors, interpretive issues, or if the individual contractual terms or the contracts are invalid in their entirety or in part, a large number of client relationships may be affected negatively. Any resulting claims for compensation or other legal consequences may have an adverse effect on the financial condition and operating results of the Bank.

#### **Risks Relating to the Recapitalisation Plan and the Restructuring Plan of the Bank**

***The Restructuring Plan of the Bank approved by the European Commission has an associated execution risk and both the Restructuring Plan's success and the Bank's strategic autonomy depend on the ability to repay the hybrid instruments subscribed by the Portuguese State in the amount of EUR 3 billion.***

The European Commission approved the Bank's Restructuring Plan on 30 August 2013. The non-confidential version will be made available by the European Commission on its website: ([http://ec.europa.eu/competition/elojade/isef/case\\_details.cfm?proc\\_code=3\\_SA\\_34\\_724](http://ec.europa.eu/competition/elojade/isef/case_details.cfm?proc_code=3_SA_34_724)).

The decision concluded that the Restructuring Plan was in compliance with the EU rules on State aid by demonstrating the Bank's viability without the continued State support. The plan operates on the following elements:

- increasing funding to the economy through full compliance with the regulatory requirements of capital levels;
- separating core and non-core assets (non-core assets include loans to purchase securities, highly leveraged loans, subsidised mortgage housing loans and credit to certain segments associated with construction, football clubs and real estate) to strategically refocus activity, aimed at gradually reducing non-core assets;
- deleveraging the balance sheet;
- improving operational efficiency;
- implementing a new approach in the management of investment funds by adopting a model of distribution of open architecture business, allowing for a wider range of client investment options; and
- continuing the process of adjusting the structure of the Bank in the domestic market, in particular by adapting the number of branches and other areas of business support and highlighting the continuity of human resources policies that calibrate the staff numbers to the demand for banking services.

In addition to the commitments related to the sale of Millennium Gestão de Ativos and the Bank's Romanian subsidiary, the credit portfolio operations in Switzerland and the Cayman Islands and the Piraeus Bank SA holding (already fulfilled), the Restructuring Plan also contains a set of general restrictions that may temporarily restrict the operational and strategic flexibility of the Bank, including: the prohibition of equity acquisitions; prohibition of aggressive commercial practices; remuneration of corporate bodies and employees on the basis of long-term goals of the organisation; restrictions on business with related parties; prohibition on the payment of dividends and coupons essentially related to preferential shares and subordinated and perpetual bonds (unless legally required) and repurchases of hybrid instruments and subordinated debt and prohibition of financing the purchase of shares or hybrid capital instruments issued by the Bank.

A failure to properly implement the Restructuring Plan could result in the possible obligation to reimburse earlier than expected the public investment or the potential conversion of hybrid instruments held by the Portuguese State into ordinary or special shares, resulting in the dilution of shareholder interests and rendering the Portuguese State the majority shareholder of the Bank. The Restructuring Plan also provides for the conditional sale

of the investment operation in Poland, if the Bank does not repay a minimum of EUR 2.3 billion of hybrid instruments held by the Portuguese State by the end of 2016. Any of the foregoing could have a material adverse effect on the Bank's financial condition, results of operations and prospects.

***The Bank is exposed to contingent risks for the implementation of its strategy, and may not, totally or partially, achieve the objectives in its Strategic Plan 2012-2017.***

The Bank is exposed to strategic risk, with the possibility of inadequate strategic decisions, failures in the implementation of decisions or lack of response capability in light of changes to market conditions, and may not, totally or partially, achieve the objectives in its Strategic Plan 2012-2017 (the "**Strategic Plan**"), including what is foreseen in the Recapitalisation Plan and in the Restructuring Plan. Since 2011, the eight major Portuguese banks (including BCP) have been subject to monitoring by the Troika and have assumed several goals regarding their capital and liquidity. With respect to BCP specifically, these goals, set out in a Funding and Capital Plan, are in accordance with the provisions of the Recapitalisation Plan and the Restructuring Plan. It is not assured that the Bank will be able to fully implement its strategic agenda due to general constraints, such as (i) the further deterioration of market conditions; (ii) increased competition or the actions taken by its main competitors; (iii) measures to resume growth and leadership in the retail banking segment and attract greater value in the Companies, Corporate and Investment Banking (including Large Corporate) segments; (iv) maintaining the drive to reduce costs and to optimise capital and liquidity management; and (v) the strengthening of risk management. Furthermore, the Bank could face difficulties in the implementation of critical management measures aimed at continued re-pricing, optimising the recovery of banking revenues and profitability, mitigating exposure to various types of risk and increasing its own funds, with a negative impact on expected efficiency levels, and compromising the defined objectives and solvency. If the Bank is unable to achieve its strategic objectives, it could have a material adverse effect on its financial condition, results of operations and prospects.

***Conditions imposed on the Bank as a result of the Recapitalisation Plan and the Restructuring Plan may constrain the Bank's operations or otherwise be adverse to the interest of the Bank's shareholders.***

As a result of the Portuguese Republic's investment in the Bank pursuant to the Recapitalisation Plan and the Restructuring Plan, the Bank assumed certain undertakings in the specific context of the approval of its Recapitalisation Plan, in addition to the limitations on distribution of dividends, which include, amongst other undertakings:

- a ban on buy-backs of hybrid instruments and subordinated debt without the consent of the Minister of State and Finance; in this respect, the Restructuring Plan approved by the European Commission extends the prohibition to the buy-back of shares, hybrid instruments, subordinated debt and similar securities held by entities other than the Portuguese State or entities in the consolidation perimeter of BCP, with the exception of prior authorisation by the European Commission, if such repurchases do not trigger payments to third parties;
- a ban on coupon and interest payments on hybrid instruments and subordinated debt where there is no legal obligation to proceed with such payment;
- a ban on the acquisition of equity stakes in other companies, unless previously authorised by the European Commission, the Minister of State and Finance and the Bank of Portugal;
- granting the Minister of State and Finance the right to appoint two non-executive members to the Board of Directors of the Bank (the "**Appointed Members**"), one of whom will serve on the Audit Committee and one on the Compensation and Welfare Board and Risk Commission. If required, after having consulted the senior executive officer of the Bank in that respect, acting in a commercially reasonable manner and in accordance with market standards, the Appointed Members will be able to require, at the Bank's expense, external independent review and reporting of aspects of the financial position, conduct and plans of the Bank. On 29 November 2012, the Bank informed the market about the appointment of two representatives of the Portuguese Republic to the corporate bodies of Millennium BCP (Bernardo Sotto Mayor, as first non-executive director and José Rodrigues Jesus, as second non-executive director (who is also a

member of the Audit Committee)) in connection with the Bank's recapitalisation process and in accordance with article 14, No. 2 of Law 63-A/2008, as amended and Order No. 8840-B/2012 of 28 June 2012;

- remuneration and benefits of senior management and executives will be subject to appropriate levels of transparency and scrutiny to ensure they remain appropriate;
- granting the Minister of State and Finance the ability to limit the commitment by the Bank of further financial resources to any non-lending businesses, mergers or acquisitions by the Bank;
- the prohibition of financing by the Bank of mergers or acquisitions of businesses in the financial services sector, except upon written approval of the Minister of State and Finance;
- the operation and maintenance of an internal specialised unit (or units) to be accountable for the management of problem and workout assets, in line with international best practices;
- the implementation of the Recapitalisation Plan and carrying out the Bank's activities accordingly, in particular with respect to the contribution of the Bank to the financing of the Portuguese economy, including households and small- and medium-sized enterprises, and particularly within the sectors of tradable goods and services. The Bank has changed the focus of its credit policy, which is now mainly directed towards funding companies of the tradable goods and services sector;
- the reduction, already achieved by 31 December 2013, and which shall be maintained until 31 December 2017, in lending to shareholders holding more than 2% of the Bank's outstanding shares to less than 30% of the Bank's own funds after the deduction of publicly invested funds, except where expressly authorised in writing by the Bank of Portugal. In March 2014, credit exposure to shareholders holding more than 2% of the Bank's outstanding shares was 25.7%, which compares with 25.9% on December 2013. In this respect, the Restructuring Plan approved by the European Commission also includes limits of exposure to these shareholders that are applicable during the restructuring period; and
- the commitment by the Bank of at least EUR 30 million per annum to a fund that will invest in equity in Portuguese small- and medium-sized enterprises and in companies with a medium level of capitalisation.

Pursuant to these commitments, the Bank has already invested EUR 34.4 million as at 31 March 2014.

Certain covenants and undertakings described above may require further interpretation and clarification, in particular, from the European Commission.

***The Bank may not be able to ensure payments related to certain hybrid instruments subscribed by the Portuguese Republic, the failure of which could render the Portuguese State the majority shareholder of the Bank.***

On 29 June 2012, the Bank issued hybrid instruments in the amount of EUR 3 billion subscribed by the Portuguese State (the "GSIs") that are remunerated at a high and growing cost (8.5% during the first year, with increases thereafter of 25 basis points per year in the second and third years and 50 basis points in the fourth and fifth years). In 2013 the costs associated with the GSIs (interest) was EUR 269 million.

There are risks that the Bank may not be able to avoid the dilution that may result from an event that would convert the Core Tier I Capital Instruments into ordinary or Special Shares. Such events may include, among others, the non-repayment of the whole amount at the end of the term legally established for the public funding (29 June 2017); if the Bank cancels or suspends, totally or partially, the payment of interests; any other circumstance that proves to be a materially relevant non-compliance with the Recapitalisation Plan; or other circumstances that the Bank is unable to control, including decisions made by the Bank of Portugal on the Bank's viability, changes to its



control structure or in the applicable regulatory framework, the request for additional state aid or even the exclusion of its shares from trading in the market.

A potential conversion of the Core Tier I Capital Instruments held by the Portuguese State into ordinary or Special Shares (or the respective payment in kind with delivery of new ordinary shares, in accordance with the conditions approved at the General Meeting of Shareholders held on 25 June 2012 and pursuant to the respective terms and conditions of the issue attached to the Decision 8840-B/2012 of the Portuguese Minister of State and Finance (the “**Minister of State and Finance**”) of 28 June 2012, as amended, published in the Supplement of the Official Gazette, 2nd series of 3 July 2012, approving the public investment pursuant to the Recapitalisation Plan, the “**Decision**”) represents a considerable risk of dilution of shareholder interests and could mean that the State would be able to exercise a significant control over the Bank’s operations as a majority shareholder. Both the resulting dilution and loss of control could negatively affect the price of the Bank’s ordinary shares.

***The Recapitalisation Plan and the Restructuring Plan may not be sufficient to meet the Bank’s future regulatory capital requirements, which could necessitate further engagement in liability management transactions, sales of assets or additional public investment.***

The continued deterioration of the economic and financial situation in European and global markets, further reductions in the credit ratings of the Bank or changes to the regulatory framework of capital requirements may affect the Bank’s ability to comply with minimum regulatory capital requirements in regulations, as described in *Risks Relating to the Portuguese Economy* and *Risks Relating to the Bank’s Business*. If this were to materialise, the Bank may have to raise additional capital or issue other financial investments in order to comply with the minimum capital requirements. Such issuances may be made with respect for the shareholders’ pre-emption rights; however, the Bank may decide to engage in other liability management exercises, as long as they are previously approved by the European Commission, under which the Bank could propose to holders of other classes of securities issued by the Bank or its subsidiaries an exchange or any other form of conversion of other securities into the Bank’s ordinary shares. Additionally, the Bank may request additional funds from public entities in exchange for the issuance of ordinary shares, which may result in an exercise of significant State control over Bank operations, particularly where such a circumstance may in certain cases lead to conversion (in whole or in part) of the Core Tier 1 Capital Instruments held by the Portuguese State.

Any issuance of additional ordinary shares and/or special actions by the Bank or the perception by the market that such issuance may occur could adversely affect the market price of the ordinary shares of the Bank. In addition, any further issuance of ordinary shares and/or additional special shares would dilute current holders of ordinary shares to the extent that such holders do not or cannot exercise their pre-emptive rights, or such rights may be limited or suppressed.

***The Bank may not be able to use the proceeds of the share capital increase announced on 24 June 2014 to repay the GSIs.***

The Bank intends to use the proceeds of the share capital increase announced on 24 June 2014 to repay a portion of the GSIs ahead of the schedule stipulated in the Restructuring Plan, as approved by the European Commission. The Bank has already repaid EUR 400 million of GSIs in 2014, after having obtained authorisation from the Bank of Portugal; the total amount outstanding is EUR 2.6 billion. The share capital increase will enable the Bank to repay an additional portion of GSIs. Such repayment would significantly reduce the risks of the Bank having to divest the Polish operation in the event EUR 2.3 billion of the GSIs are not repaid by December 2016. See “*The Restructuring Plan of the Bank approved by the European Commission has an associated execution risk and both the Restructuring Plan’s success and the Bank’s strategic autonomy depend on the ability to repay the hybrid instruments subscribed to by the Portuguese State in the amount of EUR 3 billion*”.

Moreover, the earlier repayment of the GSIs would bolster the Bank’s income statement, contributing to a reduction of pressure on net interest income. The Bank of Portugal has already communicated to the Bank its non-opposition to the allocation of the share capital increase’s proceeds to the reimbursement of the GSIs in an amount of up to EUR 1.85 billion. This is based on the assumption that, in case the remaining own funds do not allow compliance with the minimum ratios namely for the purposes of the Comprehensive Assessment, the Bank will

perform the necessary recapitalisation measures in order to free the additional capital intended to cover any potential insufficiencies. As soon as the share capital increase is effective, the Bank shall submit a formal partial reimbursement request for the GSIs in an amount of EUR 1.85 billion.

If the Bank is not authorised to use the proceeds of the capital increase to repay the GSIs, the positive expected impact on the Bank's income statement would not materialise. Additionally, the Bank would be provided with an extra buffer of capital that would not be required to meet the regulatory capital ratios. It is possible that the Bank cannot use this buffer to make applications at rates equal or higher than the remuneration paid by the Bank related to the GSIs.

The abovementioned scenarios might have a material adverse impact on the Bank's net interest income.

In the event the Bank is authorised to repay the GSIs in full, and other than in respect of the bans on the payment of dividends and on coupon and interest payments on hybrid instruments and subordinated debt where there is no legal obligation to proceed with such payment, which would automatically cease with the full repayment of the GSIs, the remaining obligations implied in the Restructuring Plan are likely to continue in force until 2017 unless waived by the European Commission.

***The Bank may be judicially compelled to repay State aid.***

On 30 August 2013, the Directorate-General for Competition of the European Commission (the “**DG Comp**”) announced a formal agreement with the Portuguese authorities regarding the approval of the Bank's Restructuring Plan. Following the preliminary announcement of 24 July 2013, the decision concluded that the Bank's Restructuring Plan is in compliance with the European Union rules on State aid, demonstrating the viability of the bank without continued State support. Compliance by the Bank with the Restructuring Plan approved by the European Commission and the conditions set forth in European Commission decisions involves execution risks and may have an adverse effect on the financial position, results of operations and future prospects of the Bank.

If the Portuguese State and/or the Bank do not comply with the conditions established in past or future decisions of the European Commission relating to State aid granted or to be granted to the Bank, if the European Commission considers that these decisions were made based on incorrect information, if a national court decides that State aid has been granted in violation of the obligation set forth in Article 108 of the Treaty on the Functioning of the European Union (“**TFEU**”) requiring the relevant State to notify the European Commission prior to the State aid implementation, or if the European Commission considers that the State aid granted is incompatible with the TFEU, the European Commission and/or a national court, as the case may be, may order the State to recover the amount corresponding to the aid made available to the Bank, including interest determined by the European Commission. The European Commission can also order the Bank to return the aid if it deems that the Bank benefited from any State aid that was not previously authorised by the European Commission, if it considers that such aid is not compatible with the TFEU.

A potential obligation to repay the aid granted to the Bank would have a material adverse effect on its financial condition, results of operations and prospects and, among other things, would require a reimbursement of the Core Tier 1 Capital Instruments held by the Portuguese State before June 2017 and the repurchase or redemption of the investment of public funds in ordinary shares that may have been carried out in the meantime. Such repurchases or reimbursements could also present further legal complications under Portuguese corporate law.

**Risks Relating to the Bank's Business**

***The Bank is exposed to the credit risk of its customers.***

The Bank is exposed to credit risk from its customers. Gross exposure to risk of credit (position in original risk) on 31 March 2014 was EUR 99.2 billion and on 31 December 2013 was EUR 100 billion.

On 31 March 2014, the decomposition of this exposure was the following: EUR 10.9 billion for central governments or central banks, EUR 744.5 million for regional administrations or local authorities, EUR 314.5 million for administrative entities and non-profit organisations, EUR 74.9 million for multilateral development

banks, EUR 4.9 billion for other credit institutions, EUR 72.8 billion for retail and companies customers and EUR 9.4 billion for other elements.

A generalised deterioration of the Portuguese and global economy and the systemic risk of financial systems due to structural imbalances could affect the recovery and value of the Bank's assets and require increased credit impairments, which would adversely affect the Bank's financial condition and results of operations. This could further increase the Bank's non-performing loan ratios and impair the Bank's loan portfolio and other financial assets.

In addition, the ongoing process of revising IAS 39, particularly within the context of the amendment of the new impairment model framed by IFRS 9, which is currently foreseen to enter into force on 1 January 2018 (not yet approved for use in the EU), could determine the need for recognition of different levels of impairments, which could adversely affect the financial condition and results of the Bank. In Angola, there is presently no integrated system for monitoring credit risk and impairments (alerts system) that would enable the early detection of situations in which a customer may not be able to comply with the obligations established with the Bank and would implement concrete actions to avoid effective default, permitting the improvement of the conditions for credit recovery. The absence of an alert model also affects impairments signs.

***The Bank is exposed to concentration risk in its credit exposure.***

The Bank is exposed to the credit risk of its customers, including risks arising from the high concentration of individual exposures of its loan portfolio. The 20 largest loan exposures of the Bank as of 31 March 2014 represented 11.8% of the total loan portfolio (gross) and as of 31 December 2013 represented 11.6% of the total loan portfolio (gross). The qualified shareholders' loan exposures as of 31 March 2014 and 31 December 2013 represented 1.1% of the total loan portfolio (gross).

The Bank also has a high loan book sectorial concentration. The Bank's credit exposure to the real estate and civil construction sectors was 11.2%, which accounted for 4.0% (real estate activities) and 7.2% (construction companies) of the total loan portfolio (gross), respectively, as of 31 March 2014. In addition, 44% of the loan portfolio is mortgage loans. As at March 2014, the exposure to retail and wholesale commerce was 5.5% and the exposure to service sector companies was 20.6%.

This is common to most of the main Portuguese banks given the small size of the Portuguese market, and has been noted by the rating agencies as a fundamental challenge facing the Portuguese banking system.

Rating agencies have been particularly critical of the Bank's exposure to larger customers and, especially, exposure to its shareholders. Although the Bank carries out its business based on strict risk control policies, in particular with respect to credit risk, and seeks to increase the diversification of its loan portfolio, it is not possible to guarantee that the exposure to these groups will not be increased or that exposure will fall in the future.

***The Bank is exposed to credit risk of its counterparties.***

The Bank routinely transacts with counterparties in the financial services industry, including brokers and dealers, commercial banks, investment banks, mutual and hedge funds and other institutional clients.

Sovereign credit pressures may weigh on Portuguese financial institutions, limiting their funding operations and weakening their capital adequacy by reducing the market value of their sovereign and other fixed income holdings. These liquidity concerns have adversely impacted, and may continue to adversely impact, interinstitutional financial transactions in general. Concerns about, or a default by, one financial institution could lead to significant liquidity problems and losses or defaults by other financial institutions, as the commercial and financial soundness of many financial institutions may be closely related as a result of credit, trading, clearing and other relationships. Many of the routine transactions the Bank enters into exposes it to significant credit risk in the event of default by one of its significant counterparties. Even the perceived lack of creditworthiness of, or questions about, a counterparty may lead to market-side liquidity pressures or losses or an inability of the Bank to pay the debt. In addition, the Bank's credit risk may be exacerbated when the collateral it holds cannot be enforced or is liquidated at prices not sufficient to recover the full amount of the loan or derivative exposure. A default by a significant financial and credit

counterparty, or liquidity problems in the financial services industry in general, could have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

Exposure to credit risk may also derive from the underwriting of loans, interbank operations, clearing and settlement and trading activities as well as other activities and relationships. These relationships include those with retail customers, brokers and dealers, other commercial banks, investment banks and corporate borrowers. Most of these relationships expose the Bank to credit risk in the event of default by the counterparty or customer.

Adverse changes in the credit quality of customers and counterparties of the Bank, a generalised deterioration of the Portuguese and global economy or the systemic risk of financial systems due to structural imbalance could affect the recovery and value of the Bank's assets and require increased impairments, which would adversely affect the Bank's financial condition and results of operations.

***The Bank sells capitalisation insurance products with guaranteed principal that have associated credit linked notes, exposing the Bank to reputational risk in its role as seller, and financial risk indirectly arising from its shareholding in Millenniumbcp Ageas.***

The amounts of off-balance sheet customer funds as of 31 March 2014 totalled EUR 13.7 billion, largely consisting of assets under management (EUR 4.9 billion) and financial insurance (EUR 8.8 billion), including unit linked products (EUR 4.8 billion) and capitalisation insurance/PPR (retirement savings plans) (EUR 4.0 billion), with only the latter being able to ensure capital or a minimum income. Unit-linked products expose investors to the risk of underlying assets including credit linked notes. All financial insurances are predominantly placed with retail investors, those being in their majority issued and accounted by Millenniumbcp Ageas (in which the Bank has a 49% shareholding) and consolidated by the equity method). Therefore, adverse changes in the underlying assets, a generalised deterioration of the economy, or the systemic risk of financial systems due to structural imbalances may affect the recovery and value of such assets, entailing risks to the Bank's reputation as a seller of these products as well as financial risks indirectly arising out of the shareholding held by the Bank in Millenniumbcp Ageas.

***The Bank is exposed to a contraction of the real estate market.***

The Bank is highly exposed to the Portuguese real estate market, through loans granted to construction companies (7.2%), real estate activities (4.0%) and mortgage loans (44.2%), which represented 55.5% of the consolidated loan portfolio as at 31 March 2014; through assets related to its operations or obtained in lieu of payment, properties for securing loans, and funding of real estate development projects (foreclosed assets in Portugal represented 1.7% of total assets of the Bank as at 31 December 2013); and through the exposure to closed-ended real estate funds and to the Pension Fund and real estate properties in the Bank's balance sheet.

The foreclosed assets portfolio has decreased from EUR 1,524 million (EUR 322 million of impairments) on 31 March 2013 to EUR 1,379 million (EUR 363 million of impairments) on 31 March 2014.

Foreclosed assets portfolio coverage by impairments increased from 21.1% on 31 March 2013 to 26.03% on 31 March 2014. In 2013, 3,203 new properties were received in lieu of payment and 3,434 properties were sold with a value of EUR 285 million.

As of 31 March 2014, this item included an amount of EUR 349 million (31 December 2013: EUR 347 million) on the properties of closed-ended mutual funds, whose units were received following operations where properties were recovered in lieu of payment and in accordance with IFRS, were subject to the full consolidation method.

The Properties in the Pension Fund amounted to EUR 311 million as of 31 March 2014, the same amount as at the end of 2013. The balance of investment property includes the amount of EUR 187 million as at 31 March 2014 (compared with EUR 194 million as at 31 December 2013), related to real estate held by Fundo de Investimento Imobiliário Imosotto Acumulação, Fundo de Investimento Imobiliário Gestão Imobiliário, Fundo de Investimento Imobiliário Imorenda, Fundo de Investimento Imobiliário Fechado Gestimo and Imoport – Fundo de Investimento Imobiliário Fechado. On 31 March 2014, the balance under the real estate properties item classified as other tangible assets amounted to EUR 540.2 million, of which 75% related to the activity in Portugal and 25%

related to international activity. The percentage of branches whose capital belongs to the Bank corresponds to 26% of the total branch network (corresponding to 194 branches), while in central buildings this percentage is 10% (corresponding to 2 buildings). As at 31 March 2014, the balance under the real estate properties item of the activity in Portugal amounted to EUR 403.7 million, of which EUR 55.2 million was related to central buildings and EUR 348.5 million associated with branches. Abroad, the distribution network was composed, as at 31 March 2014, of a total of 733 branches (744 branches as at 31 December 2013); the Bank directly holds approximately 17% of these branches and 21% of central buildings.

Accordingly, the Bank is vulnerable to a contraction in the real estate market. Mortgage loans represent 44% of the total loan portfolio, with a low delinquency level and an average loan-to-value ratio of 67% for the mortgage portfolio. Although Portugal did not face a housing bubble during recent years as in other European countries, namely Ireland and Spain, the economic and financial crisis still had an impact on the real estate market. Portuguese banks have refrained from granting new mortgage loans with very low spreads, and real estate developers have encountered a difficult market for sellers. Moreover, there was a reduction in public works activity, which severely affected construction companies, which had to redirect their activities to foreign markets. It is worth noting the more difficult credit conditions associated with the contraction of the demand for tourism that has affected certain real estate developers that had been involved with tourism related projects, in particular in the southern part of Portugal. All of the abovementioned effects have increased delinquency among construction companies and real estate developers, impacting the Bank's NPL (non-performing loans) and contributing to the increase in impairment charges.

A significant devaluation of prices in the Portuguese real estate market may lead to impairment losses in the assets held directly and increased exposure in counterparty risk for loans guaranteed by real estate collateral and in pension fund assets retained by the Bank. Any of the foregoing could have a materially adverse effect on the Bank's business, financial condition and results of operations.

***The Bank is exposed to the risk of interest rate repricing.***

Mortgage loans represented 44% of total loan portfolio (consolidated) as at 31 March 2014. The average spread of the mortgage loans portfolio in Portugal stood at 128 basis points as at 31 March 2014 and 49% of the mortgage loans had spreads lower than 100 basis points. As at 31 March 2014, 87% of the mortgage loans portfolio in Portugal was indexed to Euribor 3 months and 11% was indexed to Euribor 6 months.

As a counterbalancing measure, the Bank, along with other banks in Portugal, limited the granting of new mortgage loans. In 2013, 293 new mortgage credit operations were contracted with an average spread of 209 basis points.

The Bank cannot unilaterally change the contractual terms of the loans that make up its portfolio of mortgage loans and it has proven extremely difficult to negotiate these contracts of extended maturity. The resulting limitation of this contractual rigidity has a significant impact on net interest income. Given the current low demand for credit by companies, the Bank may also experience difficulties in changing the mix of its loan portfolio which would make it difficult to offset the impact of reduced spreads on mortgages in the average spread of the loan portfolio.

After a period in which banks implemented policies of interest rate repricing on loans, mainly directed at loans to companies, a reduction of corporate and consumer loans spreads may be observed in the future, given the weak credit dynamics in the Portuguese economy.

***The Bank holds units in specialised credit recovery closed-end funds that cannot be sold and may depreciate.***

The Bank performed a set of securitisation transactions comprising the sale of financial assets (namely loans and advances to customers) to funds specialising in loan recovery. These funds manage the companies or assets received as collateral with the objective of increasing the value of the companies' assets. The financial assets sold through these transactions are subsequently removed from the Bank's balance sheet, as the transactions result

in the transfer of the risks and benefits associated with the assets to the funds, in addition to any control exercised thereof.

The holders of the participation units in these closed-end funds have no ability to request the reimbursement of their investment throughout the useful life of the fund. These participation units are held by several banks, which are the sellers of the loans, in proportions that vary through the useful life of the funds. No bank may hold more than 50% of each fund's capital.

The funds have a specific management structure, which is independent from the assignor banks, and is selected on the fund's incorporation date. The funds are mainly responsible for defining the fund's purpose and managing the fund on an exclusive basis, determining its investment goals and policy, in addition to management conduct and fund business.

The management structure is remunerated through commissions charged to the funds. The majority of funds in which the Bank holds a minority position are incorporated as Portuguese law companies that acquire bank credits that are financed through the issuance of senior and junior notes. The value of senior notes, entirely subscribed by funds holding the share capital, is determined as the negotiated fair value based on valuations made by both parties. These notes are paid at an interest rate that reflects the risk of the company holding the assets. The value of the junior notes equals the difference between the fair value based on the valuation of the senior notes and the value of the assigned credits to the Portuguese companies. These junior notes entitle the holder to a contingent positive value in the event the value of the transferred assets surpasses the amount of the senior instalments accrued with the remuneration in connection thereto.

The total amount of credit transferred by the Bank to the funds until March 2014 was EUR 1,214 million (gross). The Bank's total exposure to funds specialised in the recovery of loans was EUR 1,261 million in March 2014, with an impairment of EUR 195 million, including impairment of the senior and junior tranches with 100% of the latter provisioned. Therefore, the net exposure of the Bank to funds specialised in the recovery of loans was EUR 1,066 million in March 2014.

There are no formal procedures to control and monitor the assignment operations conducted by the Bank.

Therefore, such operations may encompass possible inaccuracies in the valuation and accounting treatment of the transferred assets. A possible deterioration in the prospects for recovery of the loans transferred to specialised closed-end funds may result in the devaluation of the held participation units that cannot be sold, leading to additional impairments.

***Financial problems faced by the Bank's customers could adversely affect the Bank.***

Continued market turmoil and poor economic growth, especially in Portugal and in other European countries, could have a material adverse effect on the liquidity, the activity and/or the financial conditions of the Bank's customers, which could in turn further impair the Bank's loan portfolio.

The Bank's customers' levels of savings and credit demand are dependent on consumer confidence, employment trends, the state of the economy in countries in which the Bank operates and the availability and cost of funding. In addition, customers may further decrease their risk tolerance to non-deposit-based investments such as stocks, bonds and mutual funds. This would adversely affect the Bank's fee and commission income. Any of the conditions described above could have a material adverse effect on the Bank's business, financial condition or results of operations.

***The Bank's portfolio may continue to contract.***

BCP loans to customers (gross) at a consolidated level decreased from EUR 71.5 billion in December 2011 to EUR 59.4 billion in March 2014. In the current economic environment, the Bank's loan portfolio in Portugal may continue to shrink and its loan portfolio abroad may not continue to grow at historical rates, or may even decrease. Furthermore, in some of the Bank's target markets, there are a limited number of customers of high creditworthiness. As the demand for credit in the economy is reduced and the good quality credit loans are repaid, the Bank may face difficulties in exchanging loans being reimbursed for loans with good credit quality loans.

Developments in the Bank's loan portfolio will be affected by, among other factors, the condition of the Portuguese economy and the consequences following the conclusion of the PAEF. The continued decline in the value of the Bank's loan portfolio could limit its ability to generate net interest income, which in turn could have a material adverse effect on the Bank's business, financial position and results of operations.

***The Bank is exposed to further deterioration of asset quality.***

The value of assets collateralising the Bank's secured loans could decline significantly as a result of a general decline in market prices or a decline in the value of the asset class underlying the collateral, which could result in an impairment of the value of the Bank's loan assets. Loan volume to businesses and individuals is expected to remain depressed in Portugal due to downward pressure on household disposable income and firms' profitability from austerity measures, in addition to the resulting deterioration in the business environment, more restrictive credit conditions and stressed liquidity. A decline in equity and debt market prices could also have an impact on the quality of the Bank's collateral linked to financial assets leading to a reduction in coverage ratios (on 31 December 2013, 5.9% of the loan portfolio's collateral consisted of financial assets). See *The Bank is exposed to a contraction of the real estate market*.

The economic and financial crisis, combined with the implementation of budgetary consolidation measures established under the PAEF, resulted in a deterioration of the quality of the Bank's assets, including its loan portfolio.

The Bank's consolidated loan portfolio, as of 31 March 2014, was EUR 59.4 billion (adjusted from the changes associated with the processes of sale of the operations in Greece, which has already been completed, and of the operations in Romania, which is currently underway).

The ratio of overdue loans over 90 days stood as at 31 March 2014 at 7.2%, compared to 6.2% as at 31 March 2013; the ratio of overdue loans stood at 7.5% as at 31 March 2014, compared to 6.7% in 31 March 2013; the ratio of impaired loans stood at 9.3% as at 31 March 2014, compared to 8.8% as at 31 March 2013; the ratio of impaired loans net stood at 3.8% as at 31 March 2014, compared to 2.4% as at 31 March 2013; the ratio of credit at risk stood at 11.7% as at 31 March 2014, compared to 13.8% as at 31 March 2013; the credit at risk net ratio stood at 6.3% as at 31 March 2014, compared to 7.8% as at 31 March 2013.

As at 31 March 2014, the credit portfolio in Portugal amounted to EUR 46.6 million. In Portugal, the ratio of overdue loans over 90 days stood as at 31 March 2014 at 8.5%, compared to 7.0% as at 31 March 2013; the ratio of overdue loans stood at 8.9% as at 31 March 2014, compared to 7.6% in 31 March 2013; the ratio of impaired loans stood at 11.2% as at 31 March 2014, compared to 9.7% as at 31 March 2013; the ratio of impaired loans net stood at 5.2% as at 31 March 2014, compared to 4.0% as at 31 March 2013; the ratio of credit at risk stood at 13.6% as at 31 March 2014, compared to 13.5% as at 31 March 2013; the credit at risk net ratio stood at 7.7% as at 31 March 2014, compared to 8.0% as at 31 March 2013.

The persistence of adverse economic and financial circumstances at worldwide, European and national levels increases the risk of deterioration of the quality of the consolidated loan portfolio and may also lead to increased impairment losses and deterioration of the regulatory capital ratios. Loan impairment (net of recoveries) increased to EUR 191.7 million as of 31 March 2014, compared with EUR 186.9 million as of 31 March 2013. Loans impairment net of recoveries amounted to EUR 820.8 million in 2013, compared with EUR 969.6 million in 2012 and EUR 1,230.5 million in 2011. From 2011 to 2013, the Bank's loan impairment charges amounted to EUR 3,020.9 million. A significant portion of the foregoing related to inspections to the Bank's loan portfolio, namely SIP Work Stream 1 EUR 381 million, OIP EUR 290 million and ETRICC EUR 306 million. Cost of risk, measured by the proportion of loan impairment annualised charges (net of recoveries) versus loans to customers (gross), stood at 129 basis points as of 31 March 2014, compared with 137 basis points as of 31 December 2013 and 157 basis points as of 31 December 2012. The credit at risk coverage stood at 49% as of 31 March 2014, compared with 48% as of 31 December 2013 and 47% as of 31 December 2012. The persistence, or deepening, of the crisis, general market volatility, sluggish economic growth and increased unemployment, coupled with either decreased consumer spending or a sharp increase in risk premiums required would lead to increased loan impairment levels and, consequently, to the reduction of the Bank's net income. In addition, the level of impairments and other reserves

may not be sufficient to cover possible future impairment losses, and it may be necessary to create additional provisions of significant amounts. Any failure in risk management or control policies relating to credit risk could adversely affect the Bank's business, financial condition and results of operations.

Credit risk and deterioration of asset quality is mutually reinforcing. Should there be any reduction in the value of assets securing loans that have been granted, or in the case that the value of assets is not sufficient to cover the exposure to derivative instruments, the Bank would be exposed to an even higher credit risk of non-collection in the case of non-performance, which, in turn, may affect the Bank's ability to comply with its payment obligations. The Bank cannot guarantee that it would be able to realise adequate proceeds from disposals of collateral to cover loan losses. A deterioration in the credit risk exposure of the Bank may have a material and adverse effect on the Bank's financial condition, results of operations and prospects.

***The Bank faces strong competition in its main areas of activity, namely in the retail business.***

The Portuguese banking market is well developed, containing major national and foreign competitors that follow multi-product, multi-channel and multi-segment approaches and are, in general, highly sophisticated. Over recent years, there has been a significant development of banking operations through the internet and the use of new technology that have enabled banks to assess the needs of their customers with greater accuracy and efficiency. These factors have contributed to an increase in competition in the Portuguese banking sector. Furthermore, many Portuguese banks are dedicated to increasing their market shares by launching new products, implementing cross-selling strategies and engaging in more aggressive commercial strategies. Additional integration of European financial markets may contribute to increased competition, particularly in the areas of asset management, investment banking and online banking and brokerage services.

In 2013, the Bank had 2.3 million customers in Portugal. During 2013, 129,067 customer accounts were opened and 107,257 customer accounts were closed.

In March 2014, the Bank's market share in Portugal (estimates based on figures disclosed by the Bank of Portugal and other banking industry associations) were the following: 19.2% in loans to customers, 21.9% in loans to companies, 16.9% in loans to individuals, 18.3% in mortgage loans, 9.7% in consumer credit, 18.4% in customer funds, 19.1% in on-balance sheet customer funds, 19.3% in deposits and 16.2% in off-balance sheet customer funds.

The Bank's financial success depends on its capacity to maintain high levels of loyalty among its customer base and to offer a wide range of competitive and high quality products and services to its customers. In order to pursue these objectives, the Bank has adopted a strategy of segmentation of its customer base, aimed at serving the various needs of each segment in the most suitable manner, in addition to cross-selling its products and services through its distribution network in Portugal, under the unique brand "Millennium bcp". However, high levels of competition in Portugal, as well as in other countries where the Bank operates and an increased emphasis on cost reduction may result in the Bank's inability to maintain these objectives. Moreover, under its Restructuring Plan, BCP will close approximately 50 additional branches by the end of 2017. This will result in the downsizing of BCP's branch network and consequently the decrease of BCP's branches' market share in Portugal. This could result in a lower competitive positioning in the Portuguese retail market. Any of the foregoing may have a material adverse effect on the Bank's business, financial condition and results of operations.

If the price of the Bank's ordinary shares were to decline, this could lead to shareholder dissatisfaction and, to the extent that such shareholders are also customers of the Bank, this could result in broader customer dissatisfaction, any of which could have a material adverse effect on the Bank's business, financial condition and results of operations.

There is no assurance that the Bank will be able to compete effectively, or that it will be able to maintain or improve its operational results. Such inability to compete or maintain results could also lead to a reduction in net interest income, fees and other income of the Bank, any of which could have a further material adverse effect on the Bank's financial condition, results of operations and prospects.



***The Bank may generate lower revenues from commissions and fee-based businesses.***

A decrease in the volume of lending transactions that the Bank executes with its customers could result in lower commissions derived from banking operations and guarantees. Moreover, changes to market sentiment could lead to market downturns that are likely to impact transactional volume, therefore leading to declines in the Bank's non-interest fees. In addition, as the fees that the Bank charges for managing its clients' portfolios are, in many cases, based on the value or performance of those portfolios, a market downturn that reduces the value of the Bank's clients' portfolios or increases the amount of withdrawals would reduce the revenue the Bank receives from its asset management, private banking and custody services. Revenue derived from the Bank's asset management business could also be impacted by below market performance by the Bank's securities portfolio under management, which could lead to increased withdrawals and reduced inflows.

***Changes in consumer protection laws may limit the fees that the Bank can charge in certain banking transactions.***

Changes in consumer protection laws in Portugal and other jurisdictions where the Bank has operations could limit the fees that banks may charge for certain products and services, such as mortgages, unsecured loans, credit cards and funds transfers and remittances. If introduced, such laws could reduce the Bank's net income, which could have a material adverse effect on its business, financial condition, results of operations and prospects.

***Downgrades in the Bank's credit rating could increase the cost of borrowing funds and make the Bank's ability to raise new funds or renew maturing debt more difficult.***

The Bank's credit ratings are assigned by Moody's, Standard & Poor's, Fitch and DBRS Ratings Limited. The ratings as of the date of this Offering Circular are as follows: Moody's "B1/NP", Standard & Poor's "B+/B", Fitch "BB+/B" and DBRS Ratings Limited "BBB (low)/R-2 (mid)".

Credit ratings represent an important component of the bank's liquidity profile and affect the cost and other terms upon which the Bank is able to obtain funding. Changes to the Bank's credit ratings reflect, apart from changes to the rating of the Portuguese Republic, a series of factors intrinsic to the Bank.

Currently, the ratings assigned to BCP, with the exception of the ratings assigned by DBRS Ratings Limited, are non-investment grade. Despite the fact that the rating agencies recognise that the solvency levels of BCP are better due to the recapitalisation by the Portuguese State and by shareholders in June and September 2012, respectively, there remains uncertainty whether certain adverse conditions of the Portuguese economy could impact the Bank's profitability and ability to generate income jeopardising the Bank's ability to preserve capital. Rating agencies also consider the following additional risk factors: (i) the declining quality of the loan portfolio and any exposure to small and medium enterprises in Portugal; (ii) the Bank's exposure to public debt; (iii) the Bank's exposure to its main clients, particularly shareholders (5.4% of BCP's shareholders are also clients of BCP as at 31 December 2013); and (iv) the high dependency on wholesale funding and funding from the ECB.

As at June 2014, the outlook of all rating agencies is negative, which indicates a risk that a downgrade could occur within the next two years. Although the BRRD does not prohibit the use of public funds to finance bank resolutions, some rating agencies believe that State aid will become more uncertain and difficult to justify, meaning the majority of EU banks could see their government support removed. This could result in the downgrading of the Bank's long-term credit ratings.

Any downgrade in the Bank's credit ratings may contribute to the erosion of the collateral eligible for funding by the ECB, as well as more restrictive access to funding and increased funding costs. Under such circumstances, the Bank may need to accelerate its deleveraging process and reduce its activities, which could have a negative impact on the Bank's rating. Any downgrade in the Bank's credit rating could also affect the Bank's ability to raise funding. Any of the foregoing could have a material adverse effect on its business, financial conditions, results of operations and prospects.

***In addition to its exposure to the Portuguese economy, the Bank faces exposure to macroeconomic risks in its businesses in Europe (Poland and Romania) and Africa (Angola and Mozambique).***

The Bank faces exposure to macroeconomic risks in its businesses in Poland, Romania, Mozambique and Angola and, if these risks in respect of each country materialise in the future, this may have an adverse impact on the business, financial condition and results of operations of the Bank. Moreover, the deterioration in the macroeconomic climate of emerging markets in Africa and Central Europe generally may have an adverse impact on the business, financial condition and results of operations of the Bank. In the three months ended 31 March 2014, the Bank's net contribution for the Bank's earnings attributable to international operations was EUR 47.8 million, compared with a net loss attributable to shareholders of EUR 40.7 million for the Bank as a whole. For the same period, net income in Poland was EUR 37.2 million, of which EUR 24.4 million was attributable to the Bank, net losses in Romania was EUR 0.9 million, net income in Angola was EUR 11.2 million, of which EUR 5.5 million was attributable to the Bank and net income in Mozambique was EUR 20.2 million, of which EUR 13.4 million was attributable to the Bank.

#### *Europe (Poland and Romania)*

Up to 2009, the economies of Poland and Romania showed strong GDP growth rates. However, the worldwide financial crisis, and more recently the sovereign debt crisis in the Eurozone, influenced the performance of these two economies.

Poland withstood the impact of the global crisis resiliently. After a marked slowdown in 2012, which deepened in the first half of 2013, economic activity in Poland rebounded, expanding by 1.6% (Source: Eurostat, March 2014), benefiting mainly from the strong growth in exports. The near-term outlook points to an acceleration of GDP through firmer exports and increased domestic demand due to improvement in the labour market.

Against this background, a potential downward revision of the growth of the EU, the main trading partner of Poland, may constrain activity and negatively affect confidence levels of households and businesses, which would have repercussions on the financial conditions of customers and therefore on the Bank's results. In addition, the risks of renewed instability in financial markets and geopolitical tensions in Ukraine could lead to greater volatility of the Polish zloty exchange rate and affect the Bank's results directly through financial operations and indirectly through repercussions on the clients' financial situation. Risks may also arise from an intensification of the budget consolidating process based on the need to reduce the public deficit below a 3% threshold in 2015 (the public deficit stood at 4.3% in 2013) (Source: Eurostat, April 2014). Therefore, in the medium-term, a more adverse context may develop in terms of turnover, asset quality and higher taxes on banking activity.

Romania, on the other hand, fared worse in recovering from the financial crisis, suffering an acute recession in 2009-2010, leading its government to apply for a multilateral financial assistance programme sponsored by the EU and the IMF (the programme was originally negotiated in 2009, renewed in 2011, and renewed again in 2013). Though the GDP growth rate of Romania increased to 3.5% in 2013 (Source: Eurostat, March 2014), reflecting the strong performance of net exports and increased agricultural production, in 2014, the EC forecasts a deceleration of economic growth due to a depressed improvement in private consumption. The following may also impact recovery in the medium-term: the overhaul of the balance sheets of families and the reduction of debt levels; the persistence of tight financing conditions; and the commitment of the authorities to the pursuit of the budgetary targets and measures agreed under the financial assistance programme. Any of the foregoing could have a negative impact on the Bank's rating, business, financial condition, results of operations and prospects.

#### *Africa (Angola and Mozambique)*

Angola and Mozambique have demonstrated strong and sustained growth over the past few years, with the adoption of economic policies targeting the reduction of inflation, sustainability of economic activity and diversification of productive potential.

Mozambique has been one of the fastest growing economies in Sub-Saharan Africa. Its GDP recorded a real annual average growth rate of 7.1% in 2013 (Source: IMF, April 2014), largely determined by the acceleration of mining industry output. Over the past two years, the country has had significant improvement in budgetary

management, inflation control, stabilisation of the exchange rate and foreign exchange reserves and improvement in the quality of life of its population. However, in the future, Mozambique may not be able to achieve its objectives in budgetary control and may face political unrest prior to the presidential election scheduled to occur in October 2014. The country is also vulnerable to external shocks and fluctuations in the price of commodities, namely aluminium. Furthermore, delays in the implementation of structural reforms, development of infrastructure and human capital may also slow down the expected improvements in economic development, namely of Mozambique's natural resources.

Any of the foregoing may negatively affect the Bank's business, financial condition, results of operations and prospects.

Despite the Mozambican banking sector being highly concentrated—in 2012 the three largest banks had a combined market share of approximately 70%—the competitive environment is dynamic, with a total of 18 banking groups currently competing in the market. Mozambique exhibits a low level of banking activities, with low but increasing banking business volumes. Indeed, the ratio of credit to GDP stood at 29% at the end of 2013, an amount that is below the average of the surrounding countries, though both credit and deposits recorded average annual growth rates above 20% between 2010 and 2013.

The banking sector in Mozambique: (i) had a ratio of return-on-equity of 19.6% in 2012; (ii) may be considered adequately capitalised, with equity capital ratio of 16.9% in 2012; (iii) may be considered liquid, with a ratio of loan-to-deposits of 69.5% in 2012; and (iv) has a moderate delinquency ratio—the ratio of overdue loans was 3.2% in 2012.

In Angola, real GDP expanded by 4.1% during 2013 (Source: IMF, April 2014), essentially benefiting from a strong expansion in oil production. The country has also progressed into single digit inflation, with strong international reserves, a stable exchange rate, structural reforms and economic diversification. However, an eventual weakening of budgetary management may increase vulnerability to external shocks. The Angolan economy is also vulnerable to the price of oil, and political risks arising from future elections.

Risks may also arise if Angola is not able to strengthen its budgetary management or reduce the recurrence of domestic public arrears, if structural reforms expected to lead to a sustained level of diversified growth suffer delays or if there is a lower level of solvency and perceived safety of the banking system.

Despite the large number of banks operating in Angola, with 29 banking institutions authorised in 2014, the Angolan banking sector shows a relatively high degree of concentration. In 2013, the five largest banks had a combined share of 77% of credit and 62% of deposits. Although the ratio of credit to GDP (16% in 2012) is relatively low, the volume of banking businesses have displayed great dynamism, with loans and deposits registering average annual growth rates of 13% and 17%, respectively, between 2010 and 2013.

In qualitative terms, the banking sector in Angola has: (i) moderate levels of profitability, with a ratio of return-on-equity of 10.9% in 2013, due to the investment of most banks in network growth; (ii) adequate capitalisation levels, with the solvency ratio of 19.6% in 2013; (iii) adequate levels of liquidity, with a ratio of loan-to-deposits of 63.3% in 2013 and (iv) a moderate delinquency ratio—a ratio of overdue loans of 9.8% in 2013.

The introduction of specialised credit and State guaranteed loans, which are generally perceived by international organisations such as the IMF as potentially benign for the economy, while providing access to finance to SMEs, improving competitiveness and productivity, is still recent. Although the Bank has shown a significantly lower amount of overdue loans in Angola when compared with the sector at large (2.3% loans overdue over 90 days in 2013, compared with 9.8% loans overdue over 90 days, on average, in the sector), the loan portfolio in Angola is growing strongly, particularly in the corporate segment and in new loan products that may negatively affect asset quality of the customer base and the performance of the economy. Any of the foregoing could adversely affect the Bank's business, financial condition, results of operations and prospects.

*The Bank's economic performance with regards to its international operations*

In the three months ended 31 March 2014, the Bank's net income attributable to international operations was EUR 47.8 million, compared to a net loss of EUR 40.7 million for the Bank as a whole. For the same period, net income in Poland was EUR 37.2 million, of which EUR 24.4 million was attributable to the Bank, net losses in Romania were EUR 0.9 million, net income in Angola was EUR 11.2 million, of which EUR 5.5 million was attributable to the Bank and net income in Mozambique was EUR 20.2 million, of which EUR 13.4 million was attributable to the Bank.

In the year ended 31 December 2013, the Bank's net income attributable to international operations was EUR 178.2 million, compared to a net loss of EUR 740.5 million for the Bank as a whole. For the same period, net income in Poland was EUR 127.1 million, of which EUR 83.3 million was attributable to the Bank, net losses in Romania were EUR 5.9 million (a 75% reduction in losses as compared with the year ended 31 December 2012), net income in Angola was EUR 40.8 million, of which EUR 20.4 million was attributable to the Bank and net income in Mozambique was EUR 85.5 million, of which EUR 57.0 million was attributable to the Bank.

***The Bank's operations in emerging markets expose its business to risks associated with social, economic and political conditions in those markets.***

The Bank operates in certain emerging markets, particularly in Africa, which present specific political, economic, fiscal, legal, regulatory and social risks that differ from those encountered in countries with European economic and political systems, including, but not limited to, those related to political and social environments, different business practices, logistical challenges, shortages of skilled labour, trade restrictions, macroeconomic imbalances and security challenges. The Bank's operations are currently exposed to the political and economic conditions of Angola and Mozambique. These conditions also relate to the fact that structural improvements are still needed in many sectors in these markets, including transport, energy, agriculture and mineral sectors, as well as land, social and fiscal reforms. Certain of these markets may also suffer from geopolitical conflict, while a number of African states have unresolved political differences internally, regionally and/or internationally. For example, upcoming national elections in Mozambique in October 2014 and expected municipal elections in Angola in 2015 could give rise to political uncertainty and any changes in government could result in significant policy changes.

Additionally, the Bank's operations in those markets may involve protracted negotiations with host governments, companies or other local entities and may be subject to instability arising from political, legal, economic or other disturbances. Both Angola and Mozambique impose certain exchange controls and restrictions upon capital flows to and from other jurisdictions. Therefore, the ability to transfer U.S. dollars and euro directly from local banks, including the repatriation of profits, is subject to official vetting. Transfers above a threshold amount may require government approval, which may not be obtained or may be subject to delays. Regarding Millennium bim, the amount of dividends paid to the Bank related to fiscal year 2013 amounted to EUR 17 million. The Angolan subsidiary did not distribute any dividends.

Any of the factors detailed above or similar factors could adversely affect the Bank's business, financial condition and results of operations.

***The Bank's highly liquid assets may not cover liabilities to its customer base.***

The Bank's main source of funding is its deposits base, constituting 68% of the Bank's funding as at 31 March 2014 and 67% of the Bank's funding as at 31 December 2013. However, the persistence of interest rates at historically low levels over the past few years has resulted in the Bank investing deposits into instruments with higher potential yield. The Bank's other funding sources include money market instruments, medium- and long-term bonds, covered bonds, commercial paper, medium-term structured products and the securitisation of a portion of its loan portfolio. The Bank has increasingly strengthened its own funds through capital increases (the most recent amounting to EUR 500 million was completed in October 2012) and the June 2012 subscription by the Portuguese Republic of Core Tier 1 Capital Instruments in the amount of EUR 3.0 billion.

The Bank has calculated the Liquidity Coverage Ratio and Net Stable Funding Ratio to stand at 512% and 121% as at March 2014, respectively, which compares with a reference value of 100% (fully implemented). The

leverage ratio stood at 2.9% as at March 2014, which compares with a reference value of 3% (fully implemented). The leverage ratio would have been 4.5%, if calculated assuming a conservative interpretation (although not definitive) of the legislative proposal made public on 12 June 2014 concerning the deferred tax assets reform (the proposal relating to deferred tax assets was approved on 10 July 2014 by the Portuguese Parliament).

In the case that the Bank is unable to maintain its capacity of obtaining liquid assets, its ability to repay its liabilities will be limited, which may represent a substantial adverse effect in its activity, financial condition and results.

***The results of additional stress tests could result in a need to increase capital or a loss of public confidence in the Bank.***

National and international regulators, including the IMF, the ECB and the EBA, have been conducting stress tests on the banking sector. Under an EU Regulation conferring specific tasks on the ECB concerning the prudential supervision of credit institutions, the ECB will conduct a thorough review of the major banks, covering about 85% of the banking system in the Eurozone, to strengthen confidence in the financial stability and asset quality of bank balance sheets. This exercise includes three elements: risk assessment for supervisory purposes, analysis of asset quality to increase transparency about the exposure of banks, and a stress test for assessing the resilience of Eurozone banks' balance sheets to adverse scenarios (the “**Comprehensive Assessment**”).

This exercise may reveal new capital requirements of a particular bank or the Portuguese banking system in general and may lead to the adoption of greater regulation in the financial system. In particular, the outcome of a stress test could obligate the Bank to obtain additional capital and could result in the Bank being unable to repay certain equity instruments, potentially resulting in the Portuguese State becoming a shareholder (see *Risks Relating to the Recapitalisation Plan and the Restructuring Plan of the Bank – The Bank may not be able to ensure payments related to certain hybrid instruments subscribed by the Portuguese Republic, the failure of which could render the Portuguese State the majority shareholder of the Bank*).

At present, the second phase of the Comprehensive Assessment is underway. This exercise is promoted at the European level by the ECB in advance of assuming full responsibility for supervision at the European level, within the Single Supervisory Mechanism. This phase, called Asset Quality Review (“**AQR**”), evaluates the appropriateness of the valuation of assets, collateral received as guaranty and related provisions.

The Bank is currently submitting information for AQR, and the results of this exercise will determine adjustments to CET 1 for the purposes of the stress tests that will take place from September 2014 and constitute the third and final phase of the Comprehensive Assessment. It is expected that the individual results will be known in October 2014.

It is too early to assess the potential impact of the inspection, especially considering its broad scope.

Therefore, the disclosure of the results of the stress tests could result in a reduction in confidence in a particular bank or the banking system as a whole. Although the Bank does not foresee the need for material additional impairments, it cannot exclude that additional impairment charges may be made.

Consequently, these new stress tests could adversely affect the cost of funding of the Bank and have a materially adverse impact on its financial position and business.

***The Bank's ability to achieve certain targets is dependent upon certain assumptions involving factors that are significantly or entirely beyond the Bank's control and are subject to known and unknown risks, uncertainties and other factors.***

The achievement of the Bank's internal targets will depend on the verification of assumptions involving factors that are significantly or entirely beyond the Bank's control and subject to known and unknown risks, uncertainties and other factors that may result in management failing to achieve these targets. These factors include those described elsewhere in this section and, in particular,

- the Bank's ability to successfully implement its Recapitalisation Plan and the Restructuring Plan;

- the Bank's ability to successfully implement its funding and capital plans;
- the successful implementation of economic reforms in Portugal;
- the Bank's ability to access financing on the capital markets;
- the adequacy of the Bank's current provisions against non-performing loans;
- the quality of the Bank's assets;
- the Bank's ability to reduce costs;
- the Bank's ability to deleverage;
- the financial condition of the Bank's customers;
- reductions in the Bank's credit rating;
- growth of the financial markets in the countries in which the Bank operates;
- the Bank's ability to grow internationally;
- future market conditions;
- currency fluctuations;
- the actions of regulators;
- changes in the political, social and regulatory framework in which the Bank operates;
- macroeconomic or technological trends or conditions, including inflation and consumer confidence; and other risk factors identified in this Offering Circular.

If one or more of these assumptions is inaccurate, the Bank may be unable to achieve one or more of its targets, which may have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

The Bank regularly uses financial models in the course of its operations. These financial models help inform the Bank of the value of certain of its assets (such as certain loans, financial instruments, including illiquid financial instruments where market prices are not readily available, goodwill or other intangible assets) and liabilities (such as the Bank's defined benefit obligations and provisioning) as well as the Bank's risk exposure. These financial models also generally require the Bank to make assumptions, judgements and estimates which, in many cases, are inherently uncertain, including expected cash flows, the ability of borrowers to service debt, residential and commercial property price appreciation and depreciation, and relative levels of defaults and deficiencies. Such assumptions, judgements and estimates may need to be updated to reflect changing facts, trends and market conditions and may result in a decrease in the value of, and consequently an impairment of, the Bank's assets, an increase in the Bank's liabilities or an increase in the Bank's risk exposure, any of which may have a material adverse effect on the Bank's financial condition, results of operations and prospects.

In particular, recent historic market volatility and illiquidity has challenged the factual bases of certain underlying assumptions and made it difficult to value certain of the Bank's financial instruments.

Decreased valuations reflecting prevailing market conditions, faulty assumptions or illiquidity, may result in changes in the fair values of these instruments, which may have a material adverse effect on the Bank's financial condition, results of operations and prospects.

***The Bank is vulnerable to fluctuations in interest rates, which may negatively affect net interest income and lead to other adverse consequences.***

Interest rates are highly sensitive to many factors beyond the Bank's control, including policy changes of the monetary authorities and other national and international political constraints. Changes in market interest rates could affect the interest rates the Bank charges on interest-earning assets differently from those it pays on interest-bearing liabilities. These differences could reduce the Bank's net interest income.

ECB interest rates stand currently near zero, after the last reference rate cut on 5 June 2014 to 0.15%.

Although the data released for the Eurozone related to the GDP and inflation confirm a scenario of weak economic dynamics and absence of inflationary risks, an increase of interest rates in the Eurozone could increase the costs associated with debt repayment in Portugal and aggravate the financial conditions of the country in general, namely if the interest rate increase is not adequate for the particular macroeconomic conditions of the Portuguese economy. An increase in interest rates could reduce demand for loans and the Bank's capacity to grant loans to customers, contribute to increased loan default and increase interest expense from deposits.

Additionally, ECB refinancing interest rates could ultimately be cut to zero which could, in turn, affect market interest rates, while the deposit rate is already negative (-0.1%). These developments may negatively affect the Bank through, among others things, the lower average interest rate of its loan portfolio, reduced demand for deposits and increased competition. As a result of these factors, changes or volatility in interest rates may materially and adversely affect the Bank's financial condition, results of operations and prospects.

***The Bank is exposed to reputational risks, including those arising from rumours that affect its image and customer relations.***

Reputational risk is inherent to the Bank's business activity. Negative public opinion towards the Bank or the financial services sector as a whole could result from real or perceived practices in the banking sector, such as money laundering, terrorism funding, fraudulent selling of financial products or anticompetitive practices, or from the real or perceived way in which the Bank carries out its business. Negative publicity and negative public opinion, particularly in relation to pending litigation that could resolve against the Bank's favour (see *Legal and Regulatory Risks – The Bank was charged and convicted by the CMVM (final decision) and the Bank of Portugal (subject to an ongoing appeal) in administrative proceedings in connection with certain transactions, including the financing of the acquisition of shares issued by the Bank by companies incorporated in certain offshore jurisdictions*), could adversely affect the Bank's ability to maintain and attract customers – causing, for instance, a run on deposits and subsequent lack of funding sources – the loss of which could adversely affect the Bank's business, financial condition and future prospects.

The Bank has a limited number of customers who are classified as politically exposed persons pursuant to the applicable legislation including the Bank of Portugal's Notice No. 5/2013. Although the Bank exercises increasingly stricter scrutiny of transactions with politically exposed persons in order to ensure compliance with applicable laws, the services provided to these individuals may expose the Bank to reputational risks, notwithstanding the Bank's compliance with applicable laws.

***The Bank may have difficulty in hiring and retaining board members and qualified personnel.***

The Bank's ability to successfully implement its strategy depends on its ability to recruit and maintain the most qualified and competent members for its governing bodies and for employment positions in Portugal and other countries. Restrictions on the compensation of members of management and supervisory bodies provided for in Portaria 150-A/2012 of 17 May 2012 to the greater of (i) 50% of such members' average compensation over the previous two years; or (ii) the remuneration received by members of management and supervisory bodies of public credit institutions, may hinder the Bank's ability to maintain and/or attract members with the desired profile.

The current members of BCP's Board of Directors, including the members of its Executive Committee, were elected for the term of office of 2012-2014 at the general meeting of shareholders held on 28 February 2012, in which the amendment and restructuring of the articles of association ("*estatutos*" or the "**Articles of Association**"), comprising the adoption of a one-tier management and supervisory model, also took place. The composition of the

Board of Directors of the Bank and/or its Executive Committee might change due to decisions made by the shareholders or by the Board of Directors or due to other circumstances.

As at 31 December 2013, the total number of employees in Portugal was 8,584, which represents a reduction versus 31 December 2011 (9,959 employees). In 2013, this contracted to 19 new employees (52 employees in 2012), while 417 left the Bank (1,029 employees in 2012). At the end of 2013 the average age of employees in Portugal was 45 years old and the average seniority was 19 years.

On 31 December 2013 a memorandum of understanding was signed with the unions to implement a process of salary adjustments of temporary duration, allowing the Bank to achieve the commitments undertaken with the European Commission and the Portuguese State to reduce personnel costs. Besides reducing compensation, this agreement suspends promotions, progressions and seniority payments that were to be paid up until the end of 2017. This agreement will enter into force in July 2014.

Regarding the international operations, there has been a high staff turnover in the Bank's operations in Poland, Mozambique and Angola. In Poland, 831 employees left the Bank and 675 employees were hired, the total number of employees at the end of 2013 being 5,881. In Mozambique, in 2013 the hiring process surpassed the number of exits, with a staff turnover of 208 and 176 employees, respectively. At the end of 2013 the total headcount stood at 2,476 employees. In Angola, a total of 247 employees were recruited in 2013 and 199 left, resulting in 1,075 active employees at the end of 2013.

The inability to attract and retain qualified and competent members for its governing bodies and/or other employee positions could limit or delay the implementation of the Bank's strategy, which could have a material adverse effect on the Bank's business, financial condition and results of operations.

***The coverage of pension fund liabilities could be insufficient, which would lead to actuarial losses.***

The Bank has undertaken the obligation to pay pensions to its employees upon retirement or due to disability and other obligations, in accordance with the terms established in the Collective Labour Agreement of the Banking Sector. The Bank's liabilities are essentially covered by the Pension Fund, which is managed by PensõesGere – Sociedade Gestora de Fundos de Pensões, S.A. The total number of the Pension Fund participants stood at 24,971 as at 31 December 2013.

Following the Portuguese Government's decision decreed in Decree-Law No. 127/2011, of 31 December 2011, the Portuguese Government signed a tripartite agreement with the Portuguese Banking Association, the banks and the unions for the partial transfer of the liabilities with the payments of retirement pensions and the pension fund assets from the pension funds of the banks to the social security system. The Government undertook these measures in order to reduce the Portuguese banking system's exposure to the risks of defined benefit plans and to release those assets held by pension funds to the Portuguese Republic, in part, to meet the Government's fiscal targets under the PAEF.

The impacts of the transfer of the liabilities included a reduction to the Bank's liabilities with pensions of 54%, as of 31 December 2011, which means that the Bank's vulnerabilities associated with the market risk inherent to the Pension Fund were also reduced. This risk has penalised the Bank significantly in the recent past, especially considering the adverse economic and financial environment.

The value of transferred liabilities was determined based on actuarial assumptions that are different from those used by the Bank, namely with respect to the discount rate (4%) and the mortality table (TV 88/90 for women and TV 73/77 aggravated by one year for men). These assumptions were determined under the assumption of a liquidation of liabilities (exit value), since this involves a definitive and irreversible transfer of these liabilities. This implies differences when compared with the assumptions used in the determination of the liabilities reflected in the financial statements prepared in accordance with the requirements of IAS 19—Employee Benefits. On 31 December 2011, the total value of the transferred liabilities reached EUR 2,747 million.

The liabilities related to retirement pensions and other employee benefits were wholly funded at levels above the minimum limits defined by the Bank of Portugal, presenting a coverage level of 112% at the end of 2013.



As of 31 December 2013, the liabilities related to pension and other employee benefits reached EUR 2,533 million, compared with EUR 2,293 million recorded as of 31 December 2012. In 2013, the Pension Fund recorded a 4.4% rate of return, whereas in 2012 it stood at 1.6%. The expected return rate of the Pension Fund is 4%.

Considering that International Accounting Standard (“IAS”) 19—Employee Benefits allows direct recognition in equity of actuarial gains and losses, the Bank decided in 2011 to change its accounting policy and now recognises the actuarial gains and losses for the year against reserves. Hence, as of 31 December 2011, inclusively, the Bank no longer has deferred actuarial losses on the balance sheet.

The actuarial assumptions of the Pension Fund, the last evaluation of which was made at December 2013, are as follows: discount rate of 4% (the discount rate decreased from 4.5% to 4% from 2012 to 2013); age growth rate of 1% until 2016 and 1.75% after 2017 (unchanged from 2012), pensions growth rate of 0% up to 2016 and 0.75% after 2017 (unchanged from 2012); and rate of return of fund 4% (previously 4.5% in 2012). The mortality tables for men and women are the TV 73/77 minus one year and TV 88/90 minus two years, respectively (unchanged from the previous year).

Regulation (EU) No. 475/2012 of 5 June 2012, which amended IAS 19, disallowed use of the corridor method. As per this Regulation, in 2013, the Bank applied IAS 19, as amended, which, however, has not had any impact on its financial statements, as in accordance with the options permitted under the earlier version of IAS 19, the Bank had recognised actuarial gains and losses in net position.

The Bank of Portugal authorised the maintenance of the corridor for prudential purposes only. As at 31 December 2013, the value of the corridor was EUR 255 million (compared to with EUR 243 million registered as at 31 December 2012). According to CRD IV, the corridor is required to be deducted from regulatory capital (CET 1) during a five-year period beginning on 1 January 2014.

The level of coverage of pension fund liabilities could turn out to be insufficient. If the deterioration of global financial markets leads to lower investment income and, consequently, a lower value of the fund, this would result in actuarial losses for the year.

The losses are recognised against reserves for the year in which they occur. In 2013, actuarial differences amounted to negative EUR 212 million, penalised by the change in the discount rate to 4% (negative EUR 200 million). The Bank cannot guarantee that changes will not take place in the actuarial assumptions relating to the pension obligations and other employee benefits. Any changes in the assumptions could lead to increased actuarial losses which could have a material adverse effect on the financial condition of the Bank.

Finally, the value of assets that are part of the Pension Fund depends on the future evolution of capital markets. A sharp decline in the capital markets could cause the value of the portfolio’s assets to become insufficient to cover the liabilities assumed by the Pension Fund, adversely affecting capital ratios and the Bank’s results.

***Labour disputes or other industrial actions could disrupt Bank operations or make them more costly to run.***

The Bank is exposed to the risk of labour disputes and other industrial actions. 86.5% of the Bank’s employees in Portugal and 82.4% of all its employees were members of labour unions as of 31 December 2013. The Bank may experience strikes, work stoppages or other industrial actions in the future. Any of these actions could, possibly for a significant period of time, result in disruption to the Bank’s activity and increased salaries and benefits granted to employees or otherwise have a material adverse effect on the Bank’s business, financial condition and results of operations.

***The Bank is exposed to market risk, which could result in the devaluation of investment holdings or affect its trading results.***

The Bank is exposed to market risk. This is the risk of a decline in the value of the Bank’s investment holdings or its trading results as a consequence of changes in market factors—specifically in the risk of fluctuations in its share prices, interest rate risk and foreign exchange rate risk (as at 31 March 2014, 23% of the consolidated balance sheet is not generated in euro). The performance of the financial markets could cause changes in the value

of the Bank's investment and trading portfolios. Changes in the interest rate level, yield curve and spreads could affect the Bank's net interest margin. Changes in foreign exchange rates could affect the value of its assets and liabilities denominated in foreign currencies and could affect the results of trading.

The main measure used by the Bank in evaluating the market risks (including interest rate risk, foreign exchange rate risk and equity price risk) is Value at Risk ("VaR"). VaR is calculated based on analytical approximation defined in the methodology developed by Risk Metrics (1996). It is calculated using a 10 business day time horizon and a unilateral statistical confidence interval of 99%. During 2013, the average VaR for the trading portfolio stood at EUR 6.1 million.

The interest rate risk originated by transactions involving the non-trading book is assessed through a risk sensitivity analysis, carried out every month for all operations included in the Bank's consolidated balance sheet. The reported analysis as at 31 December 2013 indicates that interest rate risk sensitivity of the balance sheet, calculated as the difference between the present value of the interest rate mismatch after discounting cash flows at the market interest rate and discounting those same cash flows after taking into account parallel shifts in the market interest rate by + 100 basis points, is negative EUR 73.7 million for the currency in which the Bank has the most significant position, the euro.

The trading portfolio and portfolio of assets available for sale (shares) was EUR 92.8 million as at 31 December 2013, compared to EUR 100.7 million as at 31 December 2012. Any depreciation in the value of the Bank's trading portfolio, portfolio of assets available for sale and other variable yield securities could have a material adverse effect on its financial condition and results of operations.

The Bank has significant exposure to participation units of closed-end funds, which are companies with audit accounts, and from the transfer of restructured loans. These assets included in the AFS portfolio amounted to EUR 1.205 billion (31 December 2013: EUR 1.106 billion). These funds have a diverse set of assets and liabilities valued in their respective accounts at fair value through internal methodologies used by the management company. Changes in the assumptions could have a significant impact on the net situation of the funds and, consequently, on the value of the participation units of the Bank. It is not practicable to present a sensitivity analysis of the different components of the underlying assumptions used by entities in the presentation of net asset value, though it should be noted that a variation of +/-10% of the net asset value has an impact of EUR 120.5 million (EUR 110.6 million as of 31 December 2013) in net position (fair value reserves).

The Bank has implemented risk management methods to mitigate and control these and other market risks to which it is exposed, including the use of derivatives to hedge certain products offered to its customers, and the Bank's risk exposure is continuously monitored. However, it is difficult to accurately predict changes in market conditions and to foresee the effects that these changes might have on the Bank's financial condition and results of operations. Any failure in risk management or control policies compared to market risk could have a negative impact on the Bank's activities, financial condition and results of operations.

***The Bank is exposed to insurance risks, where the value of insurance claims may exceed the amount of reserves held against those claims.***

The Bank is exposed to insurance risks mainly through its 49% shareholding in Millenniumbcp Ageas.

Insurance risk is the risk to earnings due to mismatches between expected and actual claims. Depending on the insurance product, this risk is influenced by macroeconomic changes, changes in customer behaviour, changes in public health, pandemics and catastrophic events such as earthquakes, industrial disasters, riots or terrorism. Failure to control insurance risks could result in material adverse effects on the Bank's financial condition, results of operations and prospects. Further, the EU is developing a new solvency framework for insurance companies, referred to as "Solvency II".

The new approach will be based on the concept of three pillars: minimum capital requirements, supervisory review of firms' assessment of risk, and enhanced disclosure requirements and will encompass valuations, the treatment of insurance groups, the definition of capital and the needs of capital at a global level. The European Commission is continuing to develop the detailed rules that will complement the high-level principles of

the Directive, referred to as “implementing measures”. There is significant uncertainty regarding the final outcome of this process. As a result, there is a risk that the effect of the measures finally adopted could be adverse for Millenniumbcp Ageas, including potentially a significant increase in capital required to support its business and a correlative competitive disadvantage with respect to other European and non-European financial services groups.

***The Bank is subject to compliance risk, which may lead to claims of non-compliance and lawsuits by public agencies, regulatory agencies and other parties.***

The Bank operates in a highly regulated industry and is subject to claims of non-compliance and lawsuits by public agencies, regulatory agencies and other parties in each jurisdiction it operates.

Compliance reviews or other proceedings that are unfavourable to the Bank may result in sanctions, limitations on its business opportunities or a reduction of its growth potential or may materially and adversely affect its ability to fulfil certain contractual obligations.

Any compliance audits or other proceedings deemed disadvantageous for the Bank may trigger certain sanctions to be applied against the Bank, limitations on business opportunities, or a reduction of its growth potential, and may have an adverse effect on the Bank’s ability to comply with certain contractual obligations.

The Bank is subject to provisioning, minimum cash level, credit qualification, record-keeping, privacy, liquidity, permitted investments, contingency and other prudential and behavioural requirements which have associated costs; any increase or change in the criteria of these requirements could have an impact on the Bank’s operations and results.

The Bank is also subject to rules and regulations related to the prevention of money laundering and terrorism financing. Compliance with anti-money laundering and anti-terrorist financing rules entails significant cost and effort. Non-compliance with these rules may have serious consequences, including adverse legal and reputational consequences. Although the Bank believes that its current anti-money laundering and anti-terrorist financing policies and procedures are adequate to ensure compliance with applicable legislation, the Bank cannot guarantee that it will comply at all times with all rules applicable to money laundering and terrorism financing as extended to the whole Bank and applied to its workers in all circumstances. At the end of 2013, the Bank of Portugal issued a new regulation on anti-money laundering and anti-terrorist financing applicable to credit institutions, providing new preventative rules and reinforcing some of the previous obligations. This new regulation demands a continuous revision of the Bank’s internal policies and risk control system which, together with the reinforcement of the powers of the Bank of Portugal, may increase the risk of non-compliance. A possible violation, or even any suspicion of a violation of these rules, in Portugal and in other jurisdictions where the Bank operates, may have serious legal, financial and reputational consequences, which could have a material adverse effect on the Bank’s financial condition, results of operations and prospects.

The Bank is subject to competition regulations. In particular, the Bank is subject to laws prohibiting the abuse of a dominant market position and prohibiting agreements and/or concerted practices between business entities that aim to prevent, restrict or distort competition, or have the effect of preventing, restricting or distorting competition. In cases where the Bank is found to have infringed the relevant rules of EU and/or Portuguese competition law, the Bank is subject to the risk of fines of up to 10% of its consolidated annual turnover in addition to a public announcement of any sanctions issued. In addition to penalties imposed by the EC and/or the Portuguese Competition Authority, the Bank may be ordered by these entities or by national courts, as applicable, to discontinue certain practices, comply with behavioural or structural remedies, or pay damages to third parties that demonstrate that they have been harmed by the Bank’s infringement of the competition rules, whether based on an earlier infringement decision by the relevant authority or independent of any such decision. The Bank may also be subject to similar consequences in other jurisdictions where it is active, as imposed by competition authorities or national courts of such jurisdictions.

***The Bank is subject to certain operational risks, which may include interruptions in the services provided, errors, fraud attributable to third parties, omissions and delays in the provision of services and implementation of requirements for risk management.***

In its normal activity and as a result of its organisational structure, the Bank is subject to certain operational risks, including interruptions in the services provided, errors, fraud attributable to third parties, and omissions and delays in the provision of services and implementation of requirements for risk management. A majority of operational losses in 2013 was caused by failures in processes and external causes and 82.9% of the operational losses was lower than EUR 20,000. The Bank continually monitors operational risks by means of, among other actions, advanced administrative and information systems and insurance coverage with respect to certain operational risks. However, it is not possible to guarantee that the monitoring and prevention of these risks will be fully effective. Any lack of success in the implementation of the Bank's risk management and control policies could have a material adverse effect on its financial condition, results of operations and prospects.

***The Bank faces technological risks, and a failure in the Bank's information technology systems could result in, among other things, trading losses, losses in customer deposits and investments, accounting and financial reporting errors and breaches in data security.***

The operations developed by the Bank, in Portugal and internationally, have an infrastructure of information systems that is externalised, but also common and integrated, promoting higher overall efficiency. The Bank's operations depend heavily on their respective computer processing capabilities, especially following the centralisation of the information systems. Computer processing capabilities include record-keeping, financial reporting and other systems, including systems for monitoring points of sale and internal accounting systems.

A failure in the Bank's information technology systems could result in, among other things, trading losses, losses in customer deposits and investments, accounting and financial reporting errors and breaches in data security. The occurrence of any of the aforementioned events could have a material adverse effect on the Bank's financial condition, results of operations and prospects.

***The Bank is subject to the risk of changes in the relationship with its partners.***

Some of the Bank's activities are carried out in partnership with other entities that are not under the control of the Bank, including Millenniumbcp Ageas. Therefore, the Bank does not have the ability to control the decisions of these entities or ensure full compliance with the agreements that established such partnerships. Any decision or action by these entities and/or their breach of such agreements may have a material adverse effect on the Bank's reputation, financial condition, results of operations and prospects.

As part of a process aiming to refocus on core activities, defined as a priority in the Strategic Plan, the Bank announced that it agreed with the international insurance group Ageas ("Ageas") to a partial recast of the strategic partnership agreements entered into in 2004, which includes the sale of its 49% interest in the (currently jointly owned) insurance companies that operate exclusively in the non-life insurance business, including "Ocidental – Companhia Portuguesa de Seguros, S.A." and "Médís – Companhia Portuguesa de Seguros de Saúde, S.A.". Subject to regulatory approval from supervisory authorities, the agreement has a base price of EUR 122.5 million, subject to a medium-term performance adjustment. In 2013, the non-life activity recorded gross inflows of EUR 251 million and a net profit of EUR 12 million.

The partners (Ageas and BCP) also agreed that the joint venture will upstream excess capital totalling EUR 290 million to its shareholders, which is planned for 2014 in accordance with the proportion of participations held by BCP and Ageas.

Following the sale, Millennium bcp will continue, now in tandem with other banking and non-banking distribution channels, to distribute non-life insurance products from "Ocidental – Companhia Portuguesa de Seguros, S.A." and "Médís – Companhia Portuguesa de Seguros de Saúde, S.A.".

In February 2009, the Bank carried out financial transactions relating to the strategic partnership agreements established with Sonangol (a company that currently holds 19.44% of the Bank's share capital and

voting rights) and Banco Português do Atlântico (“BPA”) (a company in which BMA holds a shareholding of 6.66%), as a result of which the Bank reduced its stake in BMA to 52.7% through BMA’s share capital increase of USD 105,752,496.80.

In April 2012, the Bank reduced its stake in BMA to 50.1%, following BMA’s share capital increase, which was fully subscribed to by Global Pactum – Gestão de Activos (main shareholder of BPA), in line with the partnership agreement entered into with Sonangol and BPA. Within the scope of this partnership, the Bank, Sonangol and BPA entered in May 2008 into a shareholders’ agreement regarding BMA, which included, among others, clauses on corporate bodies and preferential rights in case of transfer of BMA’s shares. It is not possible to predict in advance the success of the Bank’s development in Angola.

***Transactions in the Bank’s own portfolio involve risks.***

The Bank carries out various proprietary activities, including the placement of deposits denominated in euro and other currencies in the interbank market, as well as trading in primary and secondary markets for government securities. The management of the Bank’s own portfolio includes taking positions in fixed income and equity markets, both via spot market and through derivative products and other financial instruments. In spite of the Bank’s limited level of involvement in these activities, trading on account of its own portfolio carries risks, since its results depend partly on market conditions. A reduction in the value of financial assets held due to market conditions, or any other such conditions outside the control of the Bank, could require a corresponding loss recognition that may impact the Bank’s balance sheet. Moreover, the Bank relies on a vast range of reporting and internal management tools in order to be able to report its exposure to such transactions correctly and in due time. Future results arising from trading on account of its own portfolio will depend partly on market conditions, and the Bank may incur significant losses resulting from adverse changes in the fair value of financial assets, which could have a material adverse effect on its financial condition, results of operations and prospects.

***Hedging operations carried out by the Bank may not be adequate to prevent losses.***

The Bank carries out transactions (hedging) to reduce its exposure to different types of risks associated with its business. In 2013, the fair value of hedge losses stood at EUR 9.7 million. Many of its hedging strategies are based on historical patterns of transactions and correlations. Consequently, unexpected market developments might negatively affect the Bank’s hedging strategies.

Furthermore, the Bank does not hedge all of its risk exposure in all market environments or against all types of risks. Moreover, the way that gains or losses arising from certain ineffective hedges are recognized may result in additional volatility in its reported earnings. The Group employs derivatives and other financial instruments to hedge its exposure to interest rate and foreign exchange risk resulting from financing and investment activities. Hedging derivatives are recognised at their fair value and the profits and losses resulting from their valuation are recognised against the results. The Bank may still incur losses from changes in the fair value of derivatives and other financial instruments qualify as fair value hedges. If any of its hedging instruments or strategies are inefficient, the Bank could incur losses, which could have a material adverse effect on its activity, financial condition and results of operations.

***The Bank faces exchange rate risk related to its international operations***

All of the Bank’s international operations are directly or indirectly exposed to exchange rate risk, which could adversely affect the Bank’s results. Any devaluation of these currencies relative to the euro could have a negative impact on the Bank’s business activity, financial condition and results of operations.

As at 31 December 2013, the commercial gap in local currency observed in the main locations in which the Bank has operations, measured by the difference between on balance sheet customer funds and loans to customers, was the following: Bank Millennium in Poland: PLN 18.7 billion (EUR 4.5 billion), Bank Millennium in Romania: RON 0.4 billion (EUR 0.09 billion), Millennium bim in Mozambique: MZM 12.1 billion (EUR 0.3 billion) and Banco Millennium in Angola: AOA 58.8 billion (EUR 0.4 billion). The Bank’s loan portfolio also includes loans in foreign currency, where the losses are assumed by customers and recorded in the profit and loss account under impairment. The use of funding in foreign currency in some countries of Eastern Europe exposes some of the

Bank's customers to exchange rate risk, affecting the financial condition of these entities and, consequently, the net income of the Bank. Although Bank Millennium stopped granting new foreign currency loans in Poland at the end of 2008, it still holds a considerable loan portfolio in foreign currency, mainly in Swiss francs (as at 31 December 2013, 42% of the total loan portfolio and 67% of the total mortgage loan book), and therefore the Bank's net income could be significantly affected by the need to undertake additional payments for impairment in the loan portfolio and the high cost of zloty swaps. Additionally, as at 31 December 2013, the loan portfolio denominated in USD in the Angolan subsidiary had a weight of 41% of the total loan portfolio and the deposits denominated in USD in the Angola subsidiary had a weight of 31% of the total amount of deposits.

Net income may also be adversely affected if Poland does not join the Eurozone in the medium term as is currently expected. Similarly, net income may be affected if institutional investors pool their assets in established, rather than emerging, markets. This risk is exacerbated in the context of greater political instability related to reform of the European institutional framework, which has already had repercussions on the Swiss franc exchange rate.

***The Bank might be exposed to non-identified risks or to an unexpected level of risks, notwithstanding the risk management policies pursued by the Bank.***

The Bank is exposed to a series of risks, including, among others, credit risk, market risk, operational risk and liquidity risk. Although careful methodologies have been implemented for the management of each type of risk to which the Bank is exposed, when faced with exceptionally adverse scenarios, the policies and procedures used by the Bank in the identification, monitoring and management of these risks might not prove to be totally effective. The Bank's risk management methods are based on a combination of human and technical controls and supervision, which are subject to errors and defects. Some of the Bank's methods of managing risks are based on internally developed controls and on historic data on market behaviour, also supported by common market practices. These methods might not adequately predict future losses, in particular when related to relevant market fluctuations, which could be considerably higher than those observed in other periods. These methods might also be ineffective in protecting against losses caused by technical errors, if the implemented testing and control systems are not effective in the prevention of software and hardware technical defects. Any errors or failures in the implementation of such risk management systems, as well as their possible inability to identify all the risks or risk levels to which the Bank is exposed, could have a material adverse effect on the Bank's activities, financial condition and results of operations.

***The Non-Core Business Portfolio segment may generate additional impairment levels.***

In the scope of the Restructuring Plan, business portfolios in Portugal that the Bank should gradually divest/discontinue and not promote new credit production were identified. These portfolios are related with credit granted to customers, comprising loans to securities acquisition, highly leveraged secured lending in which LTV (loan to value) is no lower than 90%, the subsidised mortgages segment and credit related to construction that is almost exclusively focused on the Portuguese market, football clubs and real estate development. The Bank began the process of internal reorganisation with a view to managing this segment in a segregated way, and proceeded to develop and implement the applicable internal rules framework and to implement the rules and management practices of the Non-Core Business Portfolio. On 31 March 2014, such credits totalled EUR 13.7 billion (EUR 12.3 billion net of impairment), of which 86% have real guarantees, 66% from real estate assets and 20% from other assets. The Bank has committed to the goal of progressive reduction of these credits, and their total should not exceed EUR 12 billion at 31 December 2017. Notwithstanding the divestment of this credit portfolio which takes primarily into consideration the optimisation of the impact on capital through minimisation of the expected loss, the Bank may have to register additional impairments related to the devaluation of the respective collaterals and to the increase of delinquency.

***Risks relating to legislation on deferred tax assets.***

The Bank's deferred tax assets on 30 June 2014 corresponded to EUR 2,187 million and were generated by tax losses and temporary differences between certain income and expense accounts. The most notable sources of the Bank's deferred tax assets are impairment losses amounting to EUR 1,052 million and related employee benefits amounting to EUR 750 million, as at 30 June 2014.

Deferred taxes are calculated as a function of the expected tax rates in force when temporary differences are reversed, which correspond to the approved or substantively approved rates in place as of the date of the balance sheet. Deferred tax assets and liabilities are presented on a net basis whenever, in accordance with applicable law, current tax assets and current tax liabilities can be offset and when deferred taxes are related to the same tax.

As a result of Law No. 2/2014, enacted 16 January 2014, several amendments were made to the Corporate Income Tax Code that affected the calculation of deferred taxes as at 31 December 2013. These include:

- the reduction of the income tax rate from 25% to 23%;
- the creation of the state surcharge of 7% applied to the portion of taxable income greater than EUR 35,000,000;
- the decrease of the limit for deduction of losses and tax benefits from 75% to 70% of the taxable income;
- a change in the reporting period of tax losses from five to 12 years, calculated in periods beginning on or after 1 January 2014; and
- the non-taxation of gains taxable and non-tax deduction of losses arising out of the sale of equity shares, subject to the verification of a set of requirements, and the full tax deduction of losses arising out of shareholdings due to the liquidation of companies.

The deferred taxes recognised in the financial statements are based on an assessment made of their recoverability, taking into account the expectation of the generation of future tax profits, which is supported by the approved business plan. If the Bank is unable to generate sufficient future profits in order to be able to use the temporary differences deductible for tax purposes, the deferred taxes may not be recovered. These procedures and this recognition may be changed if a new legal framework for the conversion of certain deferred tax assets in tax credits in case of losses of a financial year is approved, pursuant to a proposal of the Portuguese government to the Portuguese Parliament discussed below, and the Bank adheres to it.

On 10 July 2014, the Portuguese Parliament approved a law relating to deferred tax assets, aimed at restoring competitive conditions for domestic companies in the vein of similar legislative schemes that have been introduced in other EU countries, such as Spain and Italy. The law has still not entered into force, as it is still pending promulgation and publication on the Portuguese Official Gazette.

The scheme that has now been approved shall apply to expenditures and negative equity variations accounted in tax periods beginning on or after 1 January 2015, the deferred tax assets that are recorded in the annual accounts of the taxpayer for the preceding period preceding the date of the taxation and spending, and negative equity changes that are associated with them.

Additionally, the bill aims to ensure the strengthening of the capital structure of companies that opt into the scheme, requiring mandatory adoption by these entities of measures aimed at increasing capital via the issue of conversion rights tradable in the market.

In accordance with the release published on the website of the Portuguese Parliament (<http://www.parlamento.pt/ActividadeParlamentar/Paginas/DetalheIniciativa.aspx?BID=38542>), the approved legislation provides (with an optional adhesion regime and the possibility of subsequent waiver) that, upon certain events (including annual negative net results, as well as liquidation as a result of voluntary dissolution, insolvency decided by the court or withdrawal of the respective licence), the deferred tax assets that have resulted from the non-deduction of expenses and negative asset variation with impairment losses in credits and with post-employment benefits or long-term employments, will be converted into tax credits, that will be able to be offset against tax debts of the beneficiaries or reimbursed by the Portuguese Republic. The offset or reimbursed credits will generate a special reserve corresponding to 110% of their amount, which is intended to be incorporated into the share capital, with the issuance of rights of conversion into equity (issued with reference to the market price of the shares) attributed for free to the Portuguese Republic.

The shareholders at such date will have a potestative right of acquisition of such conversion rights against the same reference price.

Assuming that (i) the approved legislation by the Parliament would correspond to the final version to be published in the Official Gazette and to enter into force, (ii) the Bank would adhere to the regime and assuming further its application as at 31 March 2014, the Bank's CET 1 ratio, fully implemented as at 31 March 2014, would have been 8.4% if calculated assuming a conservative interpretation (although not definitive) of the approved legislation by Parliament concerning the deferred tax assets reform, as compared with a CET 1 ratio of 5.4% without approval of this legislation. In these scenarios (although only in the cases of annual losses, liquidation as a result of voluntary dissolution, insolvency decided by the court or withdrawal of the respective license), the potential issuance of conversion rights to the State associated to the amount of tax credits would have dilutive effects to the shareholders not exercising their right to acquire such conversion rights from the State.

As of the date of this Base Prospectus, whether and when the approved legislation will enter into force, is not yet known. If this approved legislation enters into force any features of its final configuration, implementation, or interpretation by the assigned authorities, changes on its implementation or conditions of potential applicability to the Bank could have a material adverse effect on the Bank's business, capital position, financial condition, results of operations and prospects.

#### **Factors that may affect BCP Finance's ability to fulfil its obligations under the Notes issued by it**

BCP Finance is an overseas finance vehicle of the Bank and of the Group. As such it raises funds to the Bank by way of intra-group loans. In the event that the Bank fails to make a payment under an intra-group loan, BCP Finance may not be able to meet its payment obligations under the issued Notes. Investors should furthermore note that not all Notes issued by BCP Finance will be guaranteed by the Bank. The applicable Final Terms will indicate whether or not the Bank is acting as guarantor for a particular Tranche of Notes. If a particular Tranche of Notes issued by BCP Finance is guaranteed the applicable Final Terms will indicate whether the guarantee is subordinated or not. Investors should note that the trading value of unguaranteed notes may be less than that for guaranteed Notes and the trading value of Notes guaranteed on a subordinated basis may be less than for those guaranteed on an unsubordinated basis.

### **RISKS ASSOCIATED WITH NOTES ISSUED UNDER THE PROGRAMME**

#### **1. Risks related to the structure of a particular issue of Notes.**

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of the most common such features:

**If the Issuer has the right to redeem any Notes at its option, this may limit the market value of the Notes concerned and an investor may not be able to reinvest the redemption proceeds in a manner which achieves a similar effective return.**

An optional redemption feature of Notes is likely to limit their market value. During any period when the relevant Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The relevant Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.



**If the Issuer has the right to convert the interest rate on any Notes from a fixed rate to a floating rate or vice versa, this may affect the secondary market and the market value of the Notes concerned.**

Fixed/Floating Rate Notes may bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where the relevant Issuer has the right to effect such a conversion, this will affect the secondary market and the market value of the Notes since the relevant Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate in such circumstances, the spread on the Fixed/Floating Rate Notes tends to be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the relevant Issuer converts from a floating rate to a fixed rate in such circumstances, the fixed rate tends to be lower than then prevailing market rates.

**Notes which are issued at a substantial discount or premium may experience price volatility in response to changes in market interest rates.**

The market values of securities issued at a substantial discount (such as Zero Coupon Notes) or premium to their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for more conventional interest-bearing securities. Generally, the longer the remaining term of such securities, the greater the price volatility as compared to more conventional interest-bearing securities with comparable maturities.

**An investor in Subordinated Notes assumes an enhanced risk of loss in the event of the Issuer's or the Guarantor's insolvency**

The relevant Issuer's and (as the case may be) the Guarantor's obligations under Subordinated Notes will be unsecured and subordinated to the claims of senior creditors. Although Subordinated Notes may pay a higher rate of interest than comparable Notes, which are not subordinated, there is a real risk that an investor in Subordinated Notes will lose all or some of his investment should the relevant Issuer or (as the case may be) the Guarantor become insolvent.

**Subordinated Notes may be subject to loss absorption on any application of the general bail-in tool or at the point of non-viability of the Issuer**

The BRRD contemplates that Subordinated Notes may be subject to non-viability loss absorption, in addition to the application of the general bail-in tool. See above the risk factors entitled *Basel III, The implementation of the Banking Union could impose further regulatory requirements that may adversely impact the Bank's activities*; and *The resolutions adopted by the European Commission relating to the BRRD may restrict the trading operations of the Bank and increase its refinancing costs*.

## **Subordinated Notes issued by the Bank, Remedies for Non-Payment**

The sole remedy against the Issuer available to the Trustee (if applicable) and to any Noteholder for recovery of amounts owing in respect of any payment of principal or interest in respect of any Subordinated Notes issued by the Bank will be the institution of proceedings for the winding-up of the Issuer and/or proving in any winding-up of the Issuer. As such, the remedies available to holders of any such Subordinated Notes are more limited than those typically available to holders of senior-ranking securities, which may make enforcement more difficult.

## **2. Risks related to Notes generally**

Set out below is a brief description of certain risks relating to the Notes generally:

**The conditions of the Notes contain provisions which may permit their modification without the consent of all investors and confer significant discretions on the Trustee which may be exercised without the consent of the Noteholders and without regard to the individual interests of particular Noteholders.**

The conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including

Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The conditions of the Notes also provide that the Trustee may, without the consent of Noteholders and without regard to the interests of particular Noteholders, agree to (i) any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes or (ii) determine without the consent of the Noteholders that any Event of Default or potential Event of Default shall not be treated as such or (iii) the substitution of another company as principal debtor under any Notes in place of the Issuer, in the circumstances described in Condition 16.

### **Withholding under the EU Savings Directive**

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of other Member States details of payments of interest (or income deemed equivalent for these purposes) paid or secured by a person established in a Member State to or for the benefit of an individual resident in another Member State or certain limited types of entities established in another Member State.

On 24 March 2014, the Council of the European Union adopted a Council Directive amending and broadening the scope of the requirements described above. Member States are required to apply these new requirements from 1 January 2017.

On 15 April 2014, Council Directive 2014/48/EU of 24 March 2014 entered into force and amended Directive 2003/48/EC. Member States are to adopt the changes to comply with the amendments by 1 January 2016, which are to apply from 1 January 2017.

The changes will expand the range of payments covered by the Directive, in particular to include additional types of income payable on securities. The Directive will also expand the circumstances in which payments that indirectly benefit an individual resident in a Member State must be reported. This approach will apply to payments made to, or secured for, persons, entities or legal arrangements (including trusts) where certain conditions are satisfied, and may in some cases apply where the person, entity or arrangement is established or effectively managed outside of the European Union.

Among other changes, a “look-through approach” is to be applied to payments made to entities or legal arrangements established or having their place of effective management in countries or territories where Directive 2003/48/EC or measures to the same or equivalent effect do not apply, an indicative list of entities and legal arrangements in the third countries and jurisdictions concerned being provided.

For a transitional period, Luxembourg and Austria are required to operate a withholding system in relation to such payments. The changes referred to above will broaden the types of payments subject to withholding in those Member States which still operate a withholding system when they are implemented. In April 2013, the Luxembourg Government announced its intention to abolish the withholding system with effect from 1 January 2015, in favour of automatic information exchange under the Directive.

The end of the transitional period is dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries. A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the relevant Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. If a withholding tax is imposed on any payment made by a paying agent, the relevant Issuer will be required to maintain a Paying Agent in a Member State that will not be obliged to withhold or deduct tax pursuant to the Directive.

## U.S. Foreign Account Tax Compliance Withholding

Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 (or “**FATCA**”) impose a new reporting regime and, potentially, a 30% withholding tax with respect to (i) certain payments from sources within the United States, (ii) “foreign passthru payments” made to certain non-U.S. financial institutions that do not comply with this new reporting regime, and (iii) payments to certain investors that do not provide identification information with respect to interests issued by a participating non-U.S. financial institution. While the Notes are in global form and held within Euroclear and Clearstream, Luxembourg (together, the “**ICSDs**”) or cleared through Interbolsa, in all but the most remote circumstances, it is not expected that FATCA will affect the amount of any payment received by the ICSDs or Interbolsa. However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA) and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. Investors should consult their own tax adviser to obtain a more detailed explanation of FATCA and how FATCA may affect them. The Issuers’ obligations under the Notes are discharged, in respect of Notes other than Book Entry Notes, once they have paid the common depositary for the ICSDs (as bearer or registered holder of the Notes) and the Issuers have therefore no responsibility for any amount thereafter transmitted through the ICSDs and custodians or intermediaries. Prospective investors should refer to the section *Taxation – Foreign Account Tax Compliance Act*.

### **The value of the Notes could be adversely affected by a change in law or administrative practice.**

The Trust Deed (except Clauses 2.8 and 7.8 insofar as they relate to Subordinated Notes), the Agency Agreement, the Notes (except Conditions 2(c) and 4(b)) and the Coupons are governed by, and shall be construed in accordance with, English law. Clauses 2.8 and 7.8 of the Trust Deed (in so far as they relate to Subordinated Notes), Conditions 2(c) and 4(b) and, with respect to Book Entry Notes, the form (*representação formal*) and transfer of the Notes, the creation of security over the Notes and the Interbolsa procedures for the exercise of rights under the Notes are governed by, and shall be construed in accordance with, Portuguese law.

The conditions of the Notes are based on relevant law in effect as at the date of this Offering Circular. No assurance can be given as to the impact of any possible judicial decision or change to relevant law or administrative practice after the date of this Offering Circular.

### **Risks related to withholding tax on Notes issued by the Bank**

Under Portuguese law, income derived from the Book Entry Notes integrated in and held through a centralised system managed by Portuguese resident entities (such as the Central de Valores Mobiliários, managed by Interbolsa), by other European Union or European Economic Area entities that manage international clearing systems (in the latter case if there is administrative co-operation for tax purposes with the relevant country which is equivalent to that in place within the European Union), or, when authorised by the member of the government in charge of finance (currently the Finance Minister), in other centralised systems held by non-resident investors (both individual and corporate) eligible for the debt securities special tax exemption regime which was approved by Decree-Law 193/2005, of 7 November, as amended, (“**Decree-Law 193/2005**”) and in force as from 1 January 2006, may benefit from withholding tax exemption, provided that certain procedures and certification requirements are complied with.

Failure to comply with procedures, declarations, certifications or others will result in the application of the relevant Portuguese domestic withholding tax to the payments without giving rise to an obligation to gross up by the Bank.

It should also be noted that, if interest and other income derived from the Notes issued by the Bank is paid or made available (“*colocado à disposição*”) to accounts in the name of one or more accountholders acting on behalf of undisclosed entities (e.g. typically “jumbo” accounts) such income will be subject to withholding tax in Portugal at a rate of 35% unless the beneficial owner of the income is disclosed. Failure by the investors to comply with this disclosure obligation will result in the application of the said Portuguese withholding tax at a rate of 35% and the Bank will not be required to gross up payments in respect of any withheld accounts, as results from paragraph (x) of Condition 8.

Further, interest and other types of investment income obtained by non-resident holders (individuals or legal persons) without a Portuguese permanent establishment to which the income is attributable that are domiciled in a country included in the “tax havens” list approved by Ministerial order No. 150/2004 of 13 February (as amended by Ministerial order No. 292/2011 of 8 November) is subject to withholding tax at 35%, which is the final tax on that income, unless Decree-Law 193/2005 applies and the beneficial owners are central banks and government agencies, international organisations recognised by the Portuguese state, residents in a country or jurisdiction with which Portugal has entered into a double tax treaty or a tax information exchange agreement in force.

The Bank will not be required to gross up payments in respect of any of such non-resident holders, as results from paragraph (v) of Condition 8.

See details of the Portuguese taxation regime in *Taxation — Portugal*.

**Issuers who purchase or hold Notes in denominations that are not an integral multiple of the Specified Denomination may be adversely affected if definitive Notes are subsequently required to be issued.**

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that its holding amounts to a Specified Denomination.

If definitive Notes are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

### **3. Risks related to the market generally**

Set out below is a brief description of the main market risks, including exchange rate risk, interest rate risk, credit risk and liquidity risk:

**If an investor holds Notes which are not denominated in the investor’s home currency, he will be exposed to movements in exchange rates adversely affecting the value of his holding. In addition, the imposition of exchange controls in relation to any Notes could result in an investor not receiving payments on those Notes.**

Principal and interest on the Notes will be paid in the Specified Currency. This presents certain risks relating to currency conversions if an investor’s financial activities are denominated principally in a currency or currency unit (the “**Investor’s Currency**”) other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor’s Currency) and the risk that authorities with jurisdiction over the Investor’s Currency may impose or modify exchange controls. An appreciation in the value of the Investor’s Currency relative to the Specified Currency would decrease (1) the Investor’s Currency-equivalent yield on the Notes, (2) the Investor’s Currency-equivalent value of the principal payable on the Notes and (3) the Investor’s Currency-equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate or the ability of the Issuer or the Guarantor to make payments in

respect of the Notes. As a result, investors may receive less interest or principal than expected, or no interest or principal.

**The value of Fixed Rate Notes may be adversely affected by movements in market interest rates.**

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Fixed Rate Notes.

**Credit ratings assigned to the Issuer, the Guarantor or any Notes may not reflect all the risks associated with an investment in those Notes.**

One or more independent credit rating agencies may assign credit ratings to the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time. 7

In general, European regulated investors are restricted under Regulation (EC) No. 1060/2009 (as amended) (the “**CRA Regulation**”) from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended). Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). The list of registered and certified rating agencies published by the European Securities and Markets Authority (“**ESMA**”) on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Offering Circular.

**An active secondary market in respect of the Notes may never be established or may be illiquid and this would adversely affect the value at which an investor could sell his Notes.**

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. Illiquidity may have a severely adverse effect on the market value of Notes.

## DOCUMENTS INCORPORATED BY REFERENCE

The following documents, which have previously been published and have been filed with the Central Bank, shall be deemed to be incorporated in, and to form part of, this Offering Circular:

- (a) the following audited consolidated financial statements, notes and audit report set out at the following pages of the document related to the 2012 Annual Report of BCP and its subsidiaries (“**BCP Group**”):

Balance Sheet	Page 197
Income Statement	Page 196
Cash Flows Statement	Page 198
Statement of Changes in Equity	Page 199
Statement of Comprehensive Income	Page 200
Notes to the Consolidated Financial Statements	Pages 201-335
Audit Report	Pages 464-466

- (b) the following audited consolidated financial statements, notes and audit report set out at the following pages of the 2013 Annual Report of BCP Group:

Balance Sheet	Page 153
Income Statement	Page 152
Cash Flows Statement	Page 154
Statement of Changes in Equity	Page 155
Statement of Comprehensive Income	Page 156
Notes to the Consolidated Financial Statements	Pages 158 to 297
Audit Report	Pages 442 to 444

- (c) the following unaudited consolidated financial statements and the respective Auditor’s Limited Review Report set out at the following pages of the Interim Activity Report of the 1<sup>st</sup> Quarter 2014 of BCP Group:

Balance Sheet	Page 22
Income Statement	Page 21
Cash Flows Statement	Page 23
Statement of Changes in Equity	Page 24
Statement of Comprehensive Income	Page 25
Notes to the Consolidated Financial Statements	Pages 26 to 116
Limited Review Report	Pages 117 to 118

(d) the following audited financial statements, notes and audit report set out at the following pages of the document related to the 2012 Annual Report of BCP Finance:

Statement of Comprehensive Income	Page 6
Balance Sheet	Page 7
Statement of Cash Flows	Page 8
Statement of Changes in Shareholder's Equity	Page 9
Notes to the financial statements	Pages 10 to 49
Audit Report	Page 5

(e) the following audited financial statements, notes and audit report set out at the following pages of the document related to the 2013 Annual Report of BCP Finance:

Statement of Comprehensive Income	Page 6
Balance Sheet	Page 7
Statement of Cash Flows	Page 8
Statement of Changes in Shareholder's Equity	Page 9
Notes to the financial statements	Pages 10 to 48
Audit Report	Page 5

(f) the Terms and Conditions of the Notes contained in the previous Offering Circulars dated 21 November 2003, pages 26-50 (inclusive), 22 November 2004, pages 25-49 (inclusive), 13 December 2005, pages 37-61 (inclusive), 21 September 2006, pages 38-62 (inclusive), 18 April 2007, pages 43-71 (inclusive), 30 April 2008, pages 64-93 (inclusive), 28 April 2009, pages 68-97 (inclusive), 23 April 2010, pages 72-101 (inclusive), 15 June 2011, pages 78-107 (inclusive), 28 June 2012, pages 91-120 (inclusive) and 17 July 2013, pages 97-123 (inclusive), prepared by BCP Finance and the Bank in connection with the Programme.

All financial information in this Offering Circular relating to the Bank for the years ended on 31 December 2012 and 31 December 2013 has been extracted without material adjustment from the audited financial statements of the Bank for the financial years then ended.

The information incorporated by reference in (a), (b) and (c) above represent an accurate translation from their original Portuguese form. In the event of a discrepancy the original Portuguese version will prevail.

Copies of documents incorporated by reference in this Offering Circular can be obtained from the registered offices of BCP Finance and the Bank and from the specified offices of the Paying Agents for the time being. Documents referred to in (a) and (b) above can be viewed electronically and free of charge at the Bank's website (<http://ind.millenniumbcp.pt/en/Institucional/investidores/Pages/RelatorioContas.aspx>). Documents referred to in (c) above can be viewed electronically and free of charge at the Bank's website (<http://ind.millenniumbcp.pt/en/Institucional/investidores/Documents/RelatorioContas/RCBCP1Q2014EN.pdf>). Documents referred to in (d) and (e) can be viewed electronically and free of charge at <http://tools.morningstar.co.uk/tsweu6nqxu/globaldocuments/document/documentHandler.ashx?DocumentId=51404272> and <http://tools.morningstar.co.uk/tsweu6nqxu/globaldocuments/document/documentHandler.ashx?DocumentId=65822618>, respectively. Earlier Offering Circulars published by the Issuer referred to in (f) above can be viewed electronically and free of charge at the following links:

- (a) Offering Circular dated 21 November 2003:  
[http://ind.millenniumbcp.pt/pt/Institucional/investidores/Documents/permanentes/OfferingCircularFinal\\_2003\\_11\\_21.pdf](http://ind.millenniumbcp.pt/pt/Institucional/investidores/Documents/permanentes/OfferingCircularFinal_2003_11_21.pdf);
- (b) Offering Circular dated 22 November 2004:  
[http://ind.millenniumbcp.pt/pt/Institucional/investidores/Documents/permanentes/OfferingCircularFinal\\_2004\\_11\\_22.pdf](http://ind.millenniumbcp.pt/pt/Institucional/investidores/Documents/permanentes/OfferingCircularFinal_2004_11_22.pdf);
- (c) Offering Circular dated 13 December 2005:  
[http://www.rns-pdf.londonstockexchange.com/rns/6415v\\_-2005-12-14.pdf](http://www.rns-pdf.londonstockexchange.com/rns/6415v_-2005-12-14.pdf);
- (d) Offering Circular dated 21 September 2006:  
[http://www.rns-pdf.londonstockexchange.com/rns/5942k\\_-2006-10-17.pdf](http://www.rns-pdf.londonstockexchange.com/rns/5942k_-2006-10-17.pdf);
- (e) Offering Circular dated 18 April 2007:  
[http://www.rns-pdf.londonstockexchange.com/rns/2136v\\_-2007-4-19.pdf](http://www.rns-pdf.londonstockexchange.com/rns/2136v_-2007-4-19.pdf);
- (f) Offering Circular dated 30 April 2008:  
[http://www.rns-pdf.londonstockexchange.com/rns/5208t\\_-2008-4-30.pdf](http://www.rns-pdf.londonstockexchange.com/rns/5208t_-2008-4-30.pdf);
- (g) Offering Circular dated 28 April 2009:  
<http://web3.cmvm.pt/sdi2004/emitentes/docs/fsd14501.pdf>;
- (h) Offering Circular dated 23 April 2010:  
<http://web3.cmvm.pt/sdi2004/emitentes/docs/fsd16971.pdf>;
- (i) Offering Circular dated 15 June 2011:  
[http://ind.millenniumbcp.pt/pt/Institucional/investidores/Documents/permanentes/OfferingCircularFinal\\_2011\\_06\\_15.pdf](http://ind.millenniumbcp.pt/pt/Institucional/investidores/Documents/permanentes/OfferingCircularFinal_2011_06_15.pdf);
- (j) Offering Circular dated 28 June 2012:  
<http://tools.morningstar.co.uk/tsweu6nqxu/globaldocuments/document/documentHandler.ashx?DocumentId=40376822>; and
- (k) Offering Circular dated 17 July 2013:  
<http://tools.morningstar.co.uk/tsweu6nqxu/globaldocuments/document/documentHandler.ashx?DocumentId=54484167>.

Following the publication of this Offering Circular, a supplement may be prepared by the Issuers and approved by the Central Bank in accordance with Article 16 of the Prospectus Directive. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall to the extent applicable (whether expressly, by implication or otherwise) be deemed to modify or supersede statements contained in this Offering Circular or in a document which is incorporated by reference in this Offering Circular. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Offering Circular.

BCP Finance and the Bank will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Offering Circular which is capable of affecting the assessment of any Notes, prepare a supplement to this Offering Circular or publish a new Offering Circular for use in connection with any subsequent issue of Notes.

Any documents themselves incorporated by reference in the documents deemed to be incorporated by reference herein shall not form part of this Offering Circular.

Any non-incorporated parts of a document referred to herein are either not relevant for an investor or are otherwise covered elsewhere in this Offering Circular.



## GENERAL DESCRIPTION OF THE PROGRAMME

Under the Programme, each Issuer may from time to time issue Notes denominated in any currency subject as set out herein. A summary of the terms and conditions of the Programme and the Notes appears below. The applicable terms of any Notes will be agreed between the relevant Issuer and the relevant Dealer prior to the issue of the Notes and will be set out in the Terms and Conditions of the Notes incorporated in, or incorporated by reference into, the Notes, and in the Final Terms applicable to such Notes, which complete information regarding the Terms and Conditions, is more fully described under *Form of the Notes* below. If so indicated in the applicable Final Terms, Notes issued by BCP Finance will be guaranteed by the Bank acting through its Macao branch, as described in the Trust Deed.

This Offering Circular and any supplement will only be valid for listing Notes during the period of 12 months after the date of approval of this Offering Circular in an aggregate nominal amount which, when added to the aggregate nominal amount of all Notes then outstanding or simultaneously issued under the Programme, does not exceed EUR 25,000,000,000 or its equivalent in other currencies. For the purpose of calculating the Euro equivalent of the aggregate nominal amount of Notes issued under the Programme from time to time after the date of this Offering Circular:

- (a) the Euro equivalent of Notes denominated in another Specified Currency (as specified in the applicable Final Terms in relation to the relevant Notes, as described under *Form of the Notes*) shall be determined, at the discretion of the relevant Issuer, as of the date of agreement to issue such Notes or on the preceding day on which commercial banks and foreign exchange markets are open for business in London, in each case on the basis of the spot rate for the sale of the Euro against the purchase of the relevant Specified Currency in the London foreign exchange market quoted by any leading bank selected by the relevant Issuer on the relevant date of calculation; and
- (b) the Euro equivalent of Zero Coupon Notes (as specified in the applicable Final Terms in relation to the relevant Notes, as described under *Form of the Notes*) and other Notes issued at a discount or premium shall be calculated in the manner specified above by reference to the net proceeds received by the relevant Issuer for the relevant issue.

## FORM OF THE NOTES

The Notes of each Series will be in bearer (“**Bearer Notes**”) or book entry form (“**Book Entry Notes**”), as indicated in the applicable Final Terms.

### 1. Bearer Notes

Each Tranche of Bearer Notes will initially be represented by a temporary bearer global note (a “**Temporary Bearer Global Note**”) or, if so specified in the applicable Final Terms, a permanent global note (a “**Permanent Bearer Global Note**”) which, in either case, will:

- (i) if the Global Note is intended to be issued in new global note (“**NGN**”) form, as stated in the applicable Final Terms, be delivered on or prior to the original issue date of the Tranche of Bearer Notes to a common safekeeper (the “**Common Safekeeper**”) for Euroclear Bank SA/NV (“**Euroclear**”) and Clearstream Banking, société anonyme (“**Clearstream, Luxembourg**”); and
- (ii) if the Global Note is not intended to be issued in NGN Form, be delivered on or prior to the original issue date of the Tranche of Bearer Notes to a common depositary for, Euroclear and Clearstream, Luxembourg.

Where the Global Notes issued in respect of any Tranche are in NGN form, the applicable Final Terms will also indicate whether or not such Global Notes are intended to be held in a manner which would allow Eurosystem eligibility. Any indication that the Global Notes are to be so held does not necessarily mean that the Notes of the relevant Tranche will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any times during their life as such recognition depends upon satisfaction of the Eurosystem eligibility criteria. The Common Safekeeper for NGNs will either be Euroclear or Clearstream, Luxembourg or another entity approved by Euroclear and Clearstream, Luxembourg, as indicated in the applicable Final Terms. Global Notes issued in NGN form by BCP Finance will not be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem.

Whilst any Bearer Note is represented by a Temporary Bearer Global Note, payments of principal and interest (if any) due prior to the Exchange Date (as defined below) will be made against presentation of the Temporary Bearer Global Note if the Temporary Bearer Global Note is not intended to be issued in NGN form only to the extent that certification to the effect that the beneficial owner of such Note is not a U.S. person or a person who has purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Clearstream, Luxembourg and/or Euroclear, as applicable, and Clearstream, Luxembourg and/or Euroclear, as applicable, has given a like certification (based on the certifications it has received) to the Agent.

On and after the date (the “**Exchange Date**”) which is 40 days after the date on which a Temporary Bearer Global Note is issued, interests in the Temporary Bearer Global Note will be exchangeable (free of charge) upon a request by Clearstream, Luxembourg and/or Euroclear acting on the instruction of the holders of interests in the Temporary Bearer Global Note either for interests in a Permanent Bearer Global Note (without interest coupons or talons) or for security printed definitive Bearer Notes (as indicated in the applicable Final Terms and subject, in the case of definitive Bearer Notes, to such notice period as is specified in the applicable Final Terms), in each case against certification of beneficial ownership as described above and in accordance with the terms of the Temporary Bearer Global Note unless such certification has already been given. Unless exchange for an interest in a Permanent Bearer Global Note or for definitive Bearer Notes is improperly withheld or refused, the holder of a Temporary Bearer Global Note will not be entitled to collect any payment of interest or principal due on or after the Exchange Date.

Payments of principal and interest (if any) on a Permanent Bearer Global Note will be made through Clearstream, Luxembourg and/or Euroclear against presentation or (as the case may be) surrender of the Permanent Bearer Global Note if the Permanent Bearer Global Note is not intended to be issued in NGN form without any requirement for certification.

The applicable Final Terms will specify that a Permanent Bearer Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Bearer Notes with, where applicable, interest coupons and talons attached upon either (i) not less than 60 days' written notice from Clearstream, Luxembourg and/or Euroclear (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) to the Agent as described therein or (ii) only upon the occurrence of an Exchange Event. For these purposes, "**Exchange Event**" means that (i) an Event of Default has occurred and is continuing, (ii) the relevant Issuer has been notified that both Clearstream, Luxembourg and Euroclear have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no alternative clearing system satisfactory to the relevant Issuer, the Agent and the Trustee is available or (iii) the relevant Issuer has or will become obliged to pay additional amounts as provided for or referred to in Condition 8 which would not be required were the Notes represented by the Permanent Bearer Global Note in definitive form. The relevant Issuer will promptly give notice to Noteholders in accordance with Condition 15 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Clearstream, Luxembourg and/or Euroclear (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) may give notice to the Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the relevant Issuer may also give notice to the Agent requesting exchange. Any such exchange shall occur not later than 60 days after the date of receipt of the first relevant notice by the Agent.

The exchange of a Permanent Bearer Global Note for definitive Bearer Notes upon notice from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder) or at any time at the request of the Issuer should not be expressed to be applicable in the applicable Final Terms if the Notes are issued with a minimum Specified Denomination such as EUR 100,000 (or its equivalent in any other currency) plus one or more higher integral multiples of another smaller amount such as EUR 1,000 (or its equivalent in any other currency). Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Bearer Notes which is to be represented on issue by a Temporary Bearer Global Note exchangeable for definitive Notes.

The following legend will appear on all Permanent Bearer Global Notes and definitive Bearer Notes which have an original maturity of more than one year and on all interest coupons relating to such Notes:

"ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE."

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Bearer Notes, receipts or interest coupons and will not be entitled to capital gains treatment in respect of any gain on any sale, disposition, redemption or payment of principal in respect of such Notes, receipts or interest coupons.

Notes which are represented by a Temporary Bearer Global Note or a Permanent Bearer Global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be.

## **2. Book Entry Notes**

The Book Entry Notes are issued in dematerialised book entry form ("*forma escritural*") and can be either "*nominativas*" (in which case Interbolsa, at the Issuer's request, can ask the Affiliated Members information regarding the identity of the Noteholders and transmit such information to the Issuer) or "*ao portador*" (in which case Interbolsa cannot inform the Issuer of the identity of the Noteholders). The Book Entry Notes are issued in any specified denomination provided that in the case of any Book Entry Notes which are to be admitted to trading on a regulated market within the European Economic Union or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive, the minimum Specified Denomination shall be as indicated in the applicable Final Terms.

The Book Entry Notes will be registered by Interbolsa as management entity of Central de Valores Mobiliários.

Where the Notes issued in respect of any Tranche are in book entry form and registered with Interbolsa in its capacity as a securities settlement system, the Notes may be held in a manner which would allow Eurosystem eligibility. Any indication that the Notes are to be so held does not necessarily mean that the Notes of the relevant Tranche will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any times during their life as such recognition depends upon satisfaction of the Eurosystem eligibility criteria.

Book Entry Notes will only be tradable in one Specified Denomination.

As of the date of this Offering Circular, the Book Entry Notes may only be issued in Euro, U.S. dollars, Sterling, Japanese yen, Swiss francs, Australian dollars and Canadian dollars.

Each person shown in the individual securities accounts held with an Affiliated Member of Interbolsa as having an interest in the Notes shall be considered the holder of the principal amount of Notes recorded. One or more certificates in relation to the Notes (each a “**Certificate**”) will be delivered by the relevant Affiliated Member of Interbolsa in respect of its registered holding of Notes upon the request by the relevant holder of Book Entry Notes and in accordance with that Affiliated Member’s procedures and pursuant to article 78 of the Portuguese Securities Code (“*Código dos Valores Mobiliários*”).

Any holder of Book Entry Notes will (except as otherwise required by law) be treated as its absolute owner for all purposes regardless of the theft or loss of, the Certificate issued in respect of it and no person will be liable for so treating any holder of Book Entry Notes.

The Book Entry Notes will be issued in compliance with U.S. Treasury Regulations Section 1.163-5(c)(2)(i)(C) (or any successor United States Treasury regulation section, including without limitation, successor regulations issued in accordance with Internal Revenue Service Notice 2012-20 or otherwise in connection with the United States Hiring Incentives to Restore Employment Act of 2010) (TEFRA C).

### **3. General**

Pursuant to the Agency Agreement (as defined under *Terms and Conditions of the Notes*), the Paying Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes at a point after the Issue Date of the further Tranche, the Notes of such further Tranche shall be assigned a common code and ISIN which are different from the common code and ISIN assigned to Notes of any other Tranche of the same Series until such time as the Tranches are consolidated and form a single Series, which shall not be prior to the expiry of the distribution compliance period (as defined in Regulation S under the Securities Act) applicable to the Notes of such Tranche.

All global Notes and definitive Notes will, subject to any mandatory provisions of law, be issued pursuant to the Trust Deed (as defined under *Terms and Conditions of the Notes* below) and the Agency Agreement.

For so long as any of the Notes is represented by a global Note held on behalf of Euroclear and/or Clearstream, Luxembourg, each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Guarantor (as the case may be), the Paying Agents and the Trustee as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Global Note shall be treated by the Issuer, the Guarantor (as the case may be), the Paying Agents and the Trustee as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions Noteholder and holder of Notes and related expressions shall be construed accordingly.

Any reference herein to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms.

No Noteholder or Couponholder shall be entitled to proceed directly against the Issuer or the Guarantor (as the case may be) unless the Trustee, having become bound to proceed, fails to do so within a reasonable period and the failure shall be continuing.

Each of the Issuers and the Guarantor (as the case may be) may agree with any Dealer and the Trustee that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes, in which event a new Offering Circular or a Supplement to the Offering Circular, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

## FORM OF FINAL TERMS

*Set out below is the form of Final Terms, which will be completed for each Tranche of Notes issued under the Programme with a denomination of less than EUR 100,000 (or its equivalent in another currency).*

### FINAL TERMS

[Date]

**[BCP Finance Bank, Ltd. (“BCP Finance”)/Banco Comercial Português, S.A. (the “Bank”)]**

**Issue of [ ] [ ]**

**[Guaranteed by Banco Comercial Português, S.A. acting through its Macao branch]**

**under the EUR25,000,000,000**

**Euro Note Programme**

[Any person making or intending to make an offer of the Notes may only do so]:

- (i) in those in those Public Offer Jurisdictions mentioned in Paragraph 8 of Part B below, provided such person is of a kind specified in that paragraph and that the offer is made during the Offer Period specified in that paragraph; or
- (ii) otherwise] in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or to supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer.

Neither the Issuer nor any Dealer has authorised, nor do they authorise, the making of any offer of Notes in any other circumstances.

The expression “**Prospectus Directive**” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State) and includes any relevant implementing measure in the Relevant Member State and the expression “**2010 PD Amending Directive**” means Directive 2010/73/EU.<sup>1</sup>

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<sup>1</sup> To be deleted in respect of the issue of Notes having a maturity of less than 365 days as commercial paper under the Programme.

## PART A – CONTRACTUAL TERMS

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Offering Circular dated 14 August 2014 [and the supplement[s] to it dated [ ] [and [ ]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (the “**Offering Circular**”). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Offering Circular. Full information on the Issuer[, the Guarantor] and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Offering Circular. A summary of the Notes (which comprises the summary in the Offering Circular as completed to reflect the provisions of these Final Terms) is annexed to these Final Terms. The Offering Circular has been published on the Issuer’s website (www.millenniumbcpt.pt) and on the website of the Irish Stock Exchange (<http://www.ise.ie>).]<sup>2</sup>

[Terms used herein shall be deemed to be defined as such for the purposes of the conditions (the “**Conditions**”) set forth in the Offering Circular dated [ ] which are incorporated by reference in the Offering Circular dated 14 August 2014. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Offering Circular dated 14 August 2014 [and the supplement[s] to it dated [ ] [and [ ]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (the “**Offering Circular**”), including the Conditions incorporated by reference in the Offering Circular. Full information on the Issuer [, the Guarantor] and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Offering Circular. A summary of the Notes (which comprises the summary in the Offering Circular as completed to reflect the provisions of these Final Terms) is annexed to these Final Terms. The Offering Circular has been published on the Issuer’s website (www.millenniumbcpt.pt) and on the website of the Irish Stock Exchange (<http://www.ise.ie>).]<sup>2</sup>

[This document constitutes the Final Terms for the Notes described herein for the purposes of the listing and admission to trading rules of the Irish Stock Exchange (the “**Listing Rules**”). This document must be read in conjunction with the Listing Particulars dated 14 August 2014 [as supplemented by the supplement[s] to the Listing Particulars dated [ ]] (the “**Listing Particulars**”) which [together] constitute[s] the listing particulars for the purposes of the Listing Rules. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of this Final Terms and the Listing Particulars. The Listing Particulars have been published on the Issuer’s website (www.millenniumbcpt.pt) and on the website of the Irish Stock Exchange (<http://www.ise.ie>).]

1.	(i)	Issuer:	[BCP Finance Bank Ltd./Banco Comercial Português, S.A.]
	(ii)	Guarantor:	[Unguaranteed/Banco Comercial Português, S.A. acting through its Macao branch] [Not Applicable]
2.	(i)	Series Number:	[ ]
	(ii)	Tranche Number:	[ ]
	(iii)	Date on which the Notes will be consolidated and form a single Series:	The Notes will be consolidated and form a single Series with [ ] on [the Issue Date/exchange of the Temporary Bearer Global Note for interests in the Permanent Bearer Global Note, as referred to below, which is expected to occur on or about [ ]][Not Applicable]
3.		Specified Currency:	[ ]
4.		Aggregate Nominal Amount	
–		Tranche:	[ ]

<sup>2</sup> To be deleted in respect of the issue of Notes having a maturity of less than 365 days as commercial paper under the Programme.

–	Series:	[ ]
5.	Issue Price of Tranche:	[ ]% of the Aggregate Nominal Amount [plus accrued interest from [ ] (if applicable)]
6.	(i) Specified Denomination(s):	[ ] [and integral multiples of [ ] in excess thereof up to and including [ ]. Definitive Notes will not be issued in denominations in excess of [ ]]
	(ii) Calculation Amount:	[ ]
7.	(i) Issue Date:	[ ]
	(ii) Interest Commencement Date:	[[ ]/Issue Date/Not Applicable]
8.	Maturity Date:	[[ ]/ Interest Payment Date falling in or nearest to [ ]]
9.	Interest Basis:	[[ ]% Fixed Rate] [[ ] month [LIBOR/EURIBOR] +/- ]% Floating Rate] [Zero Coupon] (further particulars specified below)
10.	Redemption Basis:	Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [ ]% of their nominal amount
11.	Change of Interest Basis:	[ ] [Not Applicable] (further particulars specified in 14 and 15 below)
12.	Put/Call Options:	[Investor Put] [Issuer Call] [Issuer Call, subject to the Relevant Authority's prior permission (as set out in Condition 7(k))] [(further particulars specified below)] [Not Applicable]
13.	(i) Status of the Notes:	[Senior/[Dated/Perpetual] Subordinated]
	(ii) Status of the Guarantee:	[Unguaranteed/Senior/[Dated/Perpetual] Subordinated] [Not Applicable]
	(iii) Date of [Board] approval:	[ ] [Not Applicable]

#### PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14.	<b>Fixed Rate Note Provisions</b>	[Applicable/Not Applicable]
	(i) Rate(s) of Interest:	[ ]% per annum payable in arrear on each Interest Payment Date
	(ii) Interest Payment Date(s):	[ ] in each year up to and including the Maturity Date
	(iii) Fixed Coupon Amount(s): (Applicable to Notes in definitive form)	[ ] per Calculation Amount



- (iv) Broken Amount(s): [ ] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [ ] [Not Applicable]  
(Applicable to Notes in definitive form)
- (v) Day Count Fraction: [Actual/Actual (ICMA)] [30/360]
- (vi) Determination Date(s): [ ] in each year
15. **Floating Rate Note Provisions** [Applicable/Not Applicable]
- (i) Specified Period(s)/Specified Interest Payment Dates: [ ]
- (ii) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention] [Not Applicable]
- (iii) Additional Business Centre(s): [Not Applicable/[ ]]
- (iv) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination]
- (v) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent): [Not Applicable/[ ]]
- (vi) Screen Rate Determination
- Reference Rate: Reference Rate: [ ] month [LIBOR/EURIBOR]
  - Interest Determination Date(s): [Second London business day prior to the start of each Interest Period]  
[First day of each Interest Period]  
[Second day on which the TARGET2 System is open prior to the start of each Interest Period]  
[ ]
  - Relevant Screen Page: [Reuters] [ ]
- (vii) ISDA Determination
- Floating Rate Option: [ ]
  - Designated Maturity: [ ]
  - Reset Date: [ ]
- (viii) Linear Interpolation: [Not Applicable/Applicable - the rate of interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (*specify for each short or long interest period*)]
- (ix) Margin(s): [+/-][ ]% per annum

(x)	Minimum Rate of Interest:	[ ]% per annum
(xi)	Maximum Rate of Interest <sup>3</sup> :	[ ]% per annum
(xii)	Day Count Fraction:	[Actual/Actual (ISDA)] [Actual/Actual] [Actual/365 (Fixed)] [Actual/365 (Sterling)] [Actual/360] [30/360] [30E/360] [30E/360 (ISDA)]
16.	<b>Zero Coupon Note Provisions</b>	[Applicable/Not Applicable]
(i)	Accrual Yield:	[ ]% per annum
(ii)	Reference Price:	[ ]
(iii)	Day Count Fraction in relation to Early Redemption Amounts:	[30/360] [Actual/360] [Actual/365]

#### PROVISIONS RELATING TO REDEMPTION

17.	Notice periods for Condition 8(b) ( <i>Taxation</i> ):	Minimum period: [ ] days Maximum period: [ ] days
18.	<b>Issuer Call</b>	[Applicable/Applicable subject to the Relevant Authority's prior permission (as set out in Condition 7(k))/Not Applicable]
(i)	Optional Redemption Date(s):	[ ]
(ii)	Optional Redemption Amount:	[ ] per Calculation Amount
(iii)	If redeemable in part:	
	(a) Minimum Redemption Amount:	[ ]
	(b) Higher Redemption Amount:	[ ]
(iv)	Notice periods:	Minimum period: [ ] days Maximum period: [ ] days
19.	<b>Investor Put</b>	[Applicable/Not Applicable]
(i)	Optional Redemption Date(s):	[ ]
(ii)	Optional Redemption Amount:	[ ] per Calculation Amount
(iii)	Notice periods:	Minimum period: [ ] days Maximum period: [ ] days

<sup>3</sup> If no minimum interest rate is specified or if the minimum interest rate is specified as Not Applicable, then the minimum interest rate shall be zero.

20. Final Redemption Amount of each Note: [ ] per Calculation Amount
21. Early Redemption Amount payable on redemption for taxation reasons or on event of default: [ ] per Calculation Amount
- (N.B. If the Final Redemption Amount is 100% of the nominal value (i.e. par), the Early Redemption Amount is likely to be par (but consider). If, however, the Final Redemption Amount is other than 100% of the nominal value, consideration should be given as to what the Early Redemption Amount should be.)*

## GENERAL PROVISIONS APPLICABLE TO THE NOTES

### 22. Form of Notes

#### (a) Form:

[Temporary Bearer Global Note exchangeable for a Permanent Bearer Global Note which is exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event]]

[Temporary Bearer Global Note exchangeable for Definitive Notes on and after the Exchange Date]

[Permanent Bearer Global Note exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event/at any time at the request of the Issuer]]

[Book Entry Notes: *nominativas*/ Book Entry Notes: *ao portador*]

#### (b) New Global Note:

[Yes] [No]

#### 23. Additional Financial Centre(s):

[Not Applicable/[ ]]

#### 24. Talons for future Coupons to be attached to Definitive Bearer Notes:

[Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made/No]

Signed on behalf of the Issuer:

[Signed on behalf of the Guarantor:

By: .....  
*Duly authorised*

By: .....  
*Duly authorised]*

## PART B – OTHER INFORMATION

1. **Listing and Admission to Trading**

[Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [the Irish Stock Exchange’s regulated market and, if relevant, listing on the Official List of the Irish Stock Exchange/[ ]] with effect from [ ].]

[Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [the Irish Stock Exchange’s regulated market and, if relevant, listing on the Official List of the Irish Stock Exchange/[ ]] with effect from [ ].] [Not Applicable]
2. **Ratings**

[The Notes have not been specifically rated.]

[The following ratings reflect ratings assigned to the Notes of this type issued under the Programme generally:

[[ ] by Moody’s Investors Service España, S.A. [(“**Moody’s**”)]

[[ ] by Standard & Poor’s Credit Market Services Europe Limited [(“**Standard & Poor’s**”)]

[[ ] by Fitch Ratings Limited [(“**Fitch**”)]

[[ ] by DBRS Inc. [(“**DBRS**”)]]

[The Notes to be issued [have been/are expected to be] rated:

[ ] by [ ]]
3. **Interests of natural and legal persons involved in the issue**

Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the issue. [Certain [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and or commercial banking transactions with, and may perform other services for, the Issuer [and the Guarantor] and [its/their] affiliates in the ordinary course of business.] [ ]]
4. **Reasons for the Offer, Estimated Net Proceeds and Total Expenses**
  - (i) Reasons for the offer:

The net proceeds from the issue of Notes will be [applied by the Issuer for its general corporate purposes, which include making a profit [and [ ]]/[applied by the Issuer for [ ]].
  - (ii) [Estimated net proceeds:

[ ]]
  - (iii) [Estimated total expenses:

[ ]]
5. **Indication of yield (Fixed Rate Notes only)**

[[ ]] [Not Applicable]

6.	<b>Historic Interest Rates (Floating Rate Notes only)</b>	Details of historic [LIBOR/EURIBOR] rates can be obtained from [Reuters] [ ]. [Not Applicable]
7.	<b>Operational Information</b>	
(i)	ISIN Code:	[ ]
(ii)	Common Code:	[ ]
(iii)	Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s):	[Not Applicable/[ ]]
(iv)	Delivery:	Delivery [against/free of] payment
(v)	Names and addresses of additional Paying Agent(s) (if any):	[ ]
(vi)	Deemed delivery of clearing system notices for the purposes of Condition 15:	Any notice delivered to Noteholders through Euroclear and/or Clearstream, Luxembourg will be deemed to have been given on the [ ] day on which Euroclear and/or Clearstream, Luxembourg are open for business after the day on which it was given to Euroclear and/or Clearstream, Luxembourg.
(vii)	Intended to be held in a manner which would allow Eurosystem eligibility:	<p>[Yes. Note that the designation "yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper [(and registered in the name of a nominee of one of the ICSDs acting as common safekeeper,)]<i>[include this text for registered Notes]</i> and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]</p> <p>[Note that the designation "yes" simply means that the Notes are intended upon issue to be registered with Interbolsa – Sociedade Gestora de Sistemas de Liquidação e de Sistemas Centralizados de Valores Mobiliários, S.A. in its capacity of securities settlement system and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria]/</p> <p>[No. Whilst the designation is specified as "no" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common</p>

safekeeper [(and registered in the name of a nominee of one of the ICSDs acting as common safekeeper,)]*[include this text for registered Notes]*. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]

## 8. Distribution

- (i) If syndicated, names and addresses of Managers and underwriting commitments: [Not Applicable/[ ]]
- (ii) Date of [Subscription] Agreement: [ ]
- (iii) If non-syndicated, name and address of relevant Dealer: [Not Applicable/[ ]]
- (iv) Total commission and concession: [ ]% of the Aggregate Nominal Amount
- (v) U.S. Selling Restrictions: [Reg. S Compliance Category 2] [TEFRA D] [TEFRA C] [TEFRA rules not applicable]
- (vi) Public Offer where there is no exemption from the obligation under the Prospectus Directive to publish a prospectus: [Applicable] [Not Applicable] *(if not applicable, delete the remaining placeholders of this paragraph (vi) and also paragraph 9 below).*
  - Non-exempt Offer Jurisdictions: [Portugal] [,/and] [Ireland] [and] [the United Kingdom]
  - Offer Period: [*Specify date*] until [*specify date or a formula such as “the Issue Date” or “the date which falls [ ] Business Days thereafter”*]
  - Financial intermediaries granted specific consent to use the prospectus in accordance with the Conditions in it: [*Insert names and addresses of financial intermediaries receiving consent (specific consent)*] [Not Applicable]
  - General Consent: [Not Applicable][Applicable]
  - Other Authorised Offeror Terms: [Not Applicable][*Add here any other Authorised Offeror Terms*]  
*(Authorised Offeror Terms should only be included here where General Consent is applicable)*
- (vii) General Consent: [Not Applicable][Applicable]
- (viii) Other conditions to consent: [Not Applicable][ ]

## 9. Terms and Conditions of the Offer

- Offer Price: [Issue Price/Not Applicable/[ ]]
- [Conditions to which the offer is subject:] [Not Applicable/[ ]]

[Description of the application process:]	[Not Applicable/[ ]]
[Details of the minimum and/or maximum amount of application:]	[Not Applicable/[ ]]
[Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants:]	[Not Applicable/[ ]]
[Details of the method and time limits for paying up and delivering the Notes:]	[Not Applicable/[ ]]
[Manner in and date on which results of the offer are to be made public:]	[Not Applicable/[ ]]
[Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised:]	[Not Applicable/[ ]]
[Whether tranche(s) have been reserved for certain countries:]	[Not Applicable/[ ]]
[Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made:]	[Not Applicable/[ ]]
[Amount of any expenses and taxes specifically charged to the subscriber or purchaser:]	[Not Applicable/[ ]]
[Name(s) and address(es), to the extent known to the Issuer, of the placers in the various countries where the offer takes place.]	[None] [The Authorised Offerors identified in paragraph 8 above.]

10. **Third Party Information**

[ ] has been extracted from [ ]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [ ], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

ANNEX  
SUMMARY OF THE NOTES  
[ ]



## FORM OF FINAL TERMS

*Set out below is the form of Final Terms, which will be completed for each Tranche of Notes issued under the Programme with a denomination of at least EUR 100,000 (or its equivalent in another currency).*

### FINAL TERMS

[Date]

[BCP Finance Bank, Ltd. ("BCP Finance")/Banco Comercial Português, S.A. (the "Bank")]

Issue of [ ] [ ]

[Guaranteed by Banco Comercial Português, S.A. acting through its Macao branch]

under the EUR25,000,000,000

Euro Note Programme

### PART A – CONTRACTUAL TERMS

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Offering Circular dated 14 August 2014 [and the supplement[s] to it dated [ ] [and [ ]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (the "**Offering Circular**"). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Offering Circular. Full information on the Issuer[, the Guarantor] and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Offering Circular. The Offering Circular has been published on the Issuer's website ([www.millenniumbcp.pt](http://www.millenniumbcp.pt)) and on the website of the Irish Stock Exchange (<http://www.ise.ie>).]<sup>1</sup>

[Terms used herein shall be deemed to be defined as such for the purposes of the conditions (the "**Conditions**") set forth in the Offering Circular dated [ ] which are incorporated by reference in the Offering Circular dated 14 August 2014. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Offering Circular dated 14 August 2014 [and the supplement[s] to it dated [ ] [and [ ]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (the "**Offering Circular**"), including the Conditions incorporated by reference in the Offering Circular. Full information on the Issuer [, the Guarantor] and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Offering Circular. The Offering Circular has been published on the Issuer's website ([www.millenniumbcp.pt](http://www.millenniumbcp.pt)) and on the website of the Irish Stock Exchange (<http://www.ise.ie>).]<sup>1</sup>

[This document constitutes the Final Terms for the Notes described herein for the purposes of the listing and admission to trading rules of the Irish Stock Exchange (the "**Listing Rules**"). This document must be read in conjunction with the Listing Particulars dated 14 August 2014 [as supplemented by the supplement[s] to the Listing Particulars dated [ ]] (the "**Listing Particulars**") which [together] constitute[s] the listing particulars for the purposes of the Listing Rules. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of this Final Terms and the Listing Particulars. The Listing Particulars have been published on the Issuer's website ([www.millenniumbcp.pt](http://www.millenniumbcp.pt)) and on the website of the Irish Stock Exchange (<http://www.ise.ie>).]

- |    |      |            |   |
|----|------|------------|---|
| 1. | (i)  | Issuer:    | [BCP Finance Bank Ltd./Banco Comercial Português, S.A.]   |
|    | (ii) | Guarantor: | [Unguaranteed/Banco Comercial Português, S.A. acting through its Macao branch] [Not Applicable] |

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<sup>1</sup> To be deleted in respect of the issue of Notes having a maturity of less than 365 days as commercial paper under the Programme.

2.	(i) Series Number:	[ ]
	(ii) Tranche Number:	[ ]
	(iii) Date on which the Notes will be consolidated and form a single Series:	The Notes will be consolidated and form a single Series with [ ] on [the Issue Date/exchange of the Temporary Bearer Global Note for interests in the Permanent Bearer Global Note, as referred to below, which is expected to occur on or about [ ]][Not Applicable]
3.	Specified Currency:	[ ]
4.	Aggregate Nominal Amount	
–	Tranche:	[ ]
–	Series:	[ ]
5.	Issue Price of Tranche:	[ ]% of the Aggregate Nominal Amount [plus accrued interest from [ ] (if applicable)]
6.	(i) Specified Denomination(s):	[ ] [and integral multiples of [ ] in excess thereof up to and including [ ]. Definitive Notes will not be issued in denominations in excess of [ ]]
	(ii) Calculation Amount:	[ ]
7.	(i) Issue Date:	[ ]
	(ii) Interest Commencement Date:	[[ ]/Issue Date/Not Applicable]
8.	Maturity Date:	[[ ]/ Interest Payment Date falling in or nearest to [ ]]
9.	Interest Basis:	[[ ]% Fixed Rate] [[ ] month [LIBOR/EURIBOR] +/- ]% Floating Rate] [Zero Coupon] (further particulars specified below)
10.	Redemption Basis:	Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [ ]% of their nominal amount
11.	Change of Interest Basis:	[ ] [Not Applicable] (further particulars specified in 14 and 15 below)
12.	Put/Call Options:	[Investor Put] [Issuer Call] [Issuer Call, subject to the Relevant Authority's prior permission (as set out in Condition 7(k))] [(further particulars specified below)] [Not Applicable]
13.	(i) Status of the Notes:	[Senior/[Dated/Perpetual] Subordinated]
	(ii) Status of the Guarantee:	[Unguaranteed/Senior/[Dated/Perpetual] Subordinated] [Not Applicable]

(iii) Date of [Board] approval: [ ] [Not Applicable]

#### PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14. **Fixed Rate Note Provisions** [Applicable/Not Applicable]
- (i) Rate(s) of Interest: [ ]% per annum payable in arrear on each Interest Payment Date
- (ii) Interest Payment Date(s): [ ] in each year up to and including the Maturity Date
- (iii) Fixed Coupon Amount(s): [ ] per Calculation Amount  
(Applicable to Notes in definitive form)
- (iv) Broken Amount(s): [ ] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [ ] [Not Applicable]  
(Applicable to Notes in definitive form)
- (v) Day Count Fraction: [Actual/Actual (ICMA)] [30/360]
- (vi) Determination Date(s): [ ] in each year
15. **Floating Rate Note Provisions** [Applicable/Not Applicable]
- (i) Specified Period(s)/Specified Interest Payment Dates: [ ]
- (ii) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention] [Not Applicable]
- (iii) Additional Business Centre(s): [Not Applicable/[ ]]
- (iv) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination]
- (v) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent): [Not Applicable/[ ]]
- (vi) Screen Rate Determination
- Reference Rate: Reference Rate: [ ] month [LIBOR/EURIBOR]
- Interest Determination Date(s): [Second London business day prior to the start of each Interest Period]  
[First day of each Interest Period]  
[Second day on which the TARGET2 System is open prior to the start of each Interest Period]  
[ ]

	– Relevant Screen Page:	[Reuters] [ ]
(vii)	ISDA Determination	
	– Floating Rate Option:	[ ]
	– Designated Maturity:	[ ]
	– Reset Date:	[ ]
(viii)	Linear Interpolation:	[Not Applicable/Applicable - the rate of interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation ( <i>specify for each short or long interest period</i> )]
(ix)	Margin(s):	[+/-][ ]% per annum
(x)	Minimum Rate of Interest:	[ ]% per annum
(xi)	Maximum Rate of Interest <sup>2</sup> :	[ ]% per annum
(xii)	Day Count Fraction:	[Actual/Actual (ISDA)] [Actual/Actual] [Actual/365 (Fixed)] [Actual/365 (Sterling)] [Actual/360] [30/360] [30E/360] [30E/360 (ISDA)]
16.	<b>Zero Coupon Note Provisions</b>	[Applicable/Not Applicable]
(i)	Accrual Yield:	[ ]% per annum
(ii)	Reference Price:	[ ]
(iii)	Day Count Fraction in relation to Early Redemption Amounts:	[30/360] [Actual/360] [Actual/365]

## PROVISIONS RELATING TO REDEMPTION

17.	Notice periods for Condition 8(b) ( <i>Taxation</i> ):	Minimum period: [ ] days Maximum period: [ ] days
18.	<b>Issuer Call</b>	[Applicable/Applicable subject to the Relevant Authority's prior permission (as set out in Condition 7(k))/Not Applicable]
(i)	Optional Redemption Date(s):	[ ]
(ii)	Optional Redemption Amount:	[ ] per Calculation Amount
(iii)	If redeemable in part:	

<sup>2</sup> If no minimum interest rate is specified or if the minimum interest rate is specified as Not Applicable, then the minimum interest rate shall be zero.

- |       |  |   |
|-------|--|---|
| (a)   | Minimum Redemption Amount:   | [ ]   |
| (b)   | Higher Redemption Amount:  | [ ]   |
| (iv)  | Notice periods:  | Minimum period: [ ] days<br>Maximum period: [ ] days  |
| 19.   | <b>Investor Put</b>  | [Applicable/Not Applicable]   |
| (i)   | Optional Redemption Date(s):   | [ ]   |
| (ii)  | Optional Redemption Amount:  | [ ] per Calculation Amount  |
| (iii) | Notice periods:  | Minimum period: [ ] days<br>Maximum period: [ ] days  |
| 20.   | Final Redemption Amount of each Note:  | [ ] per Calculation Amount  |
| 21.   | Early Redemption Amount payable on redemption for taxation reasons or on event of default: | [ ] per Calculation Amount<br><br><i>(N.B. If the Final Redemption Amount is 100% of the nominal value (i.e. par), the Early Redemption Amount is likely to be par (but consider). If, however, the Final Redemption Amount is other than 100% of the nominal value, consideration should be given as to what the Early Redemption Amount should be.)</i> |

## GENERAL PROVISIONS APPLICABLE TO THE NOTES

### 22. Form of Notes

- |     |  |  |
|-----|--|--|
| (a) | Form:  | <p>[Temporary Bearer Global Note exchangeable for a Permanent Bearer Global Note which is exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event]]</p> <p>[Temporary Bearer Global Note exchangeable for Definitive Notes on and after the Exchange Date]</p> <p>[Permanent Bearer Global Note exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event/at any time at the request of the Issuer]]</p> <p>[Book Entry Notes: nominativas/Book Entry Notes: <i>ao portador</i>]</p> |
| (b) | New Global Note:   | [Yes] [No]   |
| 23. | Additional Financial Centre(s):                                      | [Not Applicable/[ ]]   |
| 24. | Talons for future Coupons to be attached to Definitive Bearer Notes: | [Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made/No]   |

Signed on behalf of the Issuer:

By: .....  
*Duly authorised*

[Signed on behalf of the Guarantor:

By: .....  
*Duly authorised]*

## PART B – OTHER INFORMATION

### 1. Listing and Admission to Trading

- (i) Listing and admission to trading: [Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [the Irish Stock Exchange’s regulated market and, if relevant, listing on the Official List of the Irish Stock Exchange/[ ]] with effect from [ ].]
- [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [the Irish Stock Exchange’s regulated market and, if relevant, listing on the Official List of the Irish Stock Exchange/[ ]] with effect from [ ].]
- (ii) Estimate of total expenses related to admission to trading: [ ]

### 2. Ratings

[The Notes have not been specifically rated.]

[The following ratings reflect ratings assigned to the Notes of this type issued under the Programme generally:

[ ] by Moody’s Investors Service España, S.A. [“(Moody’s”)]

[ ] by Standard & Poor’s Credit Market Services Europe Limited [“(Standard & Poor’s”)]

[ ] by Fitch Ratings Limited [“(Fitch”)]

[ ] by DBRS Inc. [“(DBRS”)]

[The Notes to be issued [have been/are expected to be] rated:

[ ] by [ ]]

### 3. Interests of natural and legal persons involved in the issue

Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the issue.

[Certain [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and or commercial banking transactions with, and may perform other services for, the Issuer [and the Guarantor] and [its/their] affiliates in the ordinary course of business.] [ ]

### 4. Indication of yield (Fixed Rate Notes only)

[ ] [Not Applicable]

### 5. Historic Interest Rates (Floating Rate Notes only)

Details of historic [LIBOR/EURIBOR] rates can be obtained from [Reuters] [ ]. [Not Applicable]

### 6. Operational Information

- (i) ISIN Code: [ ]

(ii)	Common Code:	[ ]
(iii)	Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s):	[Not Applicable/[ ]]
(iv)	Delivery:	Delivery [against/free of] payment
(v)	Names and addresses of additional Paying Agent(s) (if any):	[ ]
(vi)	Deemed delivery of clearing system notices for the purposes of Condition 15:	Any notice delivered to Noteholders through Euroclear and/or Clearstream, Luxembourg will be deemed to have been given on the [ ] day on which Euroclear and Clearstream, Luxembourg are open for business after the day on which it was given to Euroclear and/or Clearstream, Luxembourg.
(vii)	Intended to be held in a manner which would allow Eurosystem eligibility:	<p>[Yes. Note that the designation "yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper [(and registered in the name of a nominee of one of the ICSDs acting as common safekeeper,)]<i>[include this text for registered Notes]</i> and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]</p> <p>[Note that the designation “yes” simply means that the Notes are intended upon issue to be registered with Interbolsa – Sociedade Gestora de Sistemas de Liquidação e de Sistemas Centralizados de Valores Mobiliários, S.A. in its capacity of securities settlement system and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria]/</p> <p>[No. Whilst the designation is specified as "no" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper [(and registered in the name of a nominee of one of the ICSDs acting as common safekeeper,)]<i>[include this text for registered Notes]</i>. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any</p>



time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]]

7. **Distribution**

- (i) If syndicated, names of Managers: [Not Applicable/[ ]]
- (ii) Date of [Subscription] Agreement: [ ]
- (iii) If non-syndicated, name of relevant Dealer: [Not Applicable/[ ]]
- (iv) U.S. Selling Restrictions: [Reg. S Compliance Category 2] [TEFRA D] [TEFRA C] [TEFRA rules not applicable]

8. **Third Party Information**

[[ ] has been extracted from [ ]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [ ], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

## TERMS AND CONDITIONS OF THE NOTES

*The following, save for the text in the footnotes, are the Terms and Conditions of Notes which will be incorporated by reference into each global Note or Book Entry Note and which will be endorsed on or attached to (or, if permitted by the relevant stock exchange or other relevant authority and agreed between the relevant Issuer and the relevant Dealer, incorporated by reference into) each definitive Note. The applicable Final Terms in relation to any Notes completes the information regarding the following Terms and Conditions and will be incorporated into, or attached to, each Temporary Bearer Global Note, Permanent Bearer Global Note, Book Entry Note and definitive Note. Reference should be made to Form of Final Terms above for the form of Final Terms which will specify which of these Terms and Conditions are to apply in relation to the relevant Notes.*

This Note is one of a Series (as defined below) of Notes issued as specified in the Final Terms relating to this Note (the “**applicable Final Terms**”) either by Banco Comercial Português, S.A. (the “**Bank**”), or by BCP Finance Bank, Ltd. (“**BCP Finance**” and, together with the Bank in its capacity as an issuer of Notes, the “**Issuers**” and each an “**Issuer**”). References in these Terms and Conditions to the “**Issuer**” shall be references to the party specified as the Issuer in the applicable Final Terms. This Note other than a Book Entry Note (as defined below) is constituted by a Trust Deed dated 8 October 1998 (such Trust Deed as amended and/or restated and/or supplemented from time to time, the “**Trust Deed**”) made between the Issuers and The Law Debenture Trust Corporation p.l.c. as trustee (the “**Trustee**”, which expression shall include any successor trustee). Notes in book entry form (“**Book Entry Notes**”) are integrated in the Interbolsa book entry system and governed by these conditions and a deed poll given by the Bank in favour of the holders of Book Entry Notes dated 14 August 2014 (the “**Instrument**”). References herein to the “**Notes**” shall be references to the Notes of this Series and shall mean (i) in relation to any Notes represented by a global Note, units of the lowest Specified Denomination in the Specified Currency (each as defined below), (ii) definitive Bearer Notes issued in exchange (or part exchange) for a global Note, (iii) Book Entry Notes and (iv) any global Note. The Notes and the Coupons (as defined below) also have the benefit of an Agency Agreement dated 8 October 1998 (such Agency Agreement as amended and/or restated and/or supplemented from time to time, the “**Agency Agreement**”) and made between the Issuers, Citibank, N.A., London Branch, as issuing and principal paying agent and agent bank (the “**Agent**”, which expression shall include any successor agent specified in the applicable Final Terms), Banco Comercial Português, S.A., as Portuguese paying agent (the “**Portuguese Paying Agent**” which expression shall include any successor Portuguese paying agent) (together with the Agent, the “**Paying Agents**”, which expression shall include any additional or successor paying agents) and the Trustee.

Interest-bearing definitive Bearer Notes have interest coupons (“**Coupons**”), unless otherwise indicated in the applicable Final Terms and, in the case of Notes which, when issued in definitive form, have more than 27 interest payments remaining, if indicated in the applicable Final Terms, talons for further Coupons (“**Talons**”) attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons.

The applicable Final Terms for this Note is attached hereto or (to the extent relevant) incorporated herein and completes these Terms and Conditions (the “**Conditions**”).

The applicable Final Terms will state in particular whether this Note is (i) a senior Note issued by BCP Finance or the Bank (a “**Senior Note**”) or (ii) a subordinated Note issued by BCP Finance or the Bank (a “**Subordinated Note**”).

Pursuant to the Trust Deed, the Trustee acts for the benefit of the holders of the Notes being in the case of Bearer Notes, the bearers thereof and in the case of Book Entry Notes, the persons shown in the individual securities accounts held with an Affiliated Member of the Interbolsa (the “**Book Entry Noteholders**” and together with the holders of Bearer Notes, the “**Noteholders**”, which expression shall, in relation to any Notes represented by a global Note, be construed as provided below) and the holders of the Coupons (the “**Couponholders**”, which expression shall, unless the context otherwise requires, include the holders of the Talons), all in accordance with the provisions of the Trust Deed.

As used herein, “**Tranche**” means Notes which are identical in all respects (including as to the Issue Date, listing and admission to trading) and subject to the same Final Terms and “**Series**” means a Tranche of Notes

together with any further Tranche or Tranches of Notes which are (i) expressed to be consolidated and form a single series and (ii) have the same terms and conditions or terms and conditions which are the same in all respects save for the amount and date of the first payment of interest thereon and the date from which interest starts to accrue.

Copies of the Trust Deed, the Agency Agreement and the applicable Final Terms are available for inspection at the registered office of the Trustee, being at Fifth Floor, 100 Wood Street, London EC2V 7EX and at the specified office of each of the Paying Agents. If the Notes are to be admitted to trading on the regulated market of the Irish Stock Exchange, the applicable Final Terms will be published on the website of the Irish Stock Exchange through a regulatory information service. The Noteholders and the Couponholders (including the Book Entry Noteholders) are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Trust Deed, or, in the case of holders of Book Entry Notes, those of the provisions of the Trust Deed that are applicable to them and the Instrument, the Agency Agreement and the applicable Final Terms which are binding on them. These Terms and Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed.

Words and expressions defined in the Trust Deed, the Instrument or the Agency Agreement or used in the applicable Final Terms shall have the same meanings where used in these Terms and Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Agency Agreement and the Trust Deed, the Trust Deed will prevail, that, in the event of inconsistency between the Agency Agreement and the Instrument, the Instrument will prevail, that, in the event of any inconsistency between the Trust Deed and the Instrument, the Instrument will prevail, and that, in the event of inconsistency between the Agency Agreement, the Instrument or the Trust Deed and the applicable Final Terms, the applicable Final Terms will prevail.

In these Conditions, Euro means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended.

## **1. Form, Denomination and Title**

The Notes may be in bearer form (“**Bearer Notes**”) or in book entry form (“*forma escritural*”) and can either be “*nominativas*” (in which case Interbolsa, at the Issuer’s request, can ask the Affiliated Members for information regarding the identity of the Noteholders and transmit such information to the Issuer) or “*ao portador*” (in which case Interbolsa cannot inform the Issuer of the identity of the Noteholders) (“**Book Entry Notes**”), as specified in the applicable Final Terms, and, in the case of definitive Notes, will be serially numbered, and, subject to applicable legal or regulatory restrictions, in any currency as agreed between the Issuer and the relevant Dealer(s) at the time of the issue (the “**Specified Currency**”) and the denominations (the “**Specified Denomination(s)**”) specified in the applicable Final Terms.

This Note is a Senior Note or a Subordinated Note, as indicated in the applicable Final Terms.

This Note is a Fixed Rate Note, a Floating Rate Note or a Zero Coupon Note, or any appropriate combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms.

Bearer Notes in definitive form are issued with Coupons and (if applicable) Talons attached, unless they are Zero Coupon Notes in which case references to interest and Coupons and Couponholders in these Terms and Conditions are not applicable.

Subject as set out below, title to Bearer Notes and Coupons will pass by delivery. Title to the Book Entry Notes passes upon registration in the relevant individual securities accounts held with an Affiliated Member of Interbolsa.

Subject as set out below, the Issuer, the Bank (when the Notes benefit from the Guarantee (as defined in Condition 4)), the Trustee and any Paying Agent will (except as otherwise required by law) deem and treat the bearer of any Bearer Note or Coupon and any person in whose name a Book Entry Note is registered as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of

any previous loss or theft thereof) for all purposes but, in the case of any global Note, without prejudice to the provisions set out in the next paragraph.

For so long as any of the Notes is represented by a global Note held on behalf of Euroclear and/or Clearstream, Luxembourg, each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Bank (as the case may be), the Paying Agents and the Trustee as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant global Note shall be treated by the Issuer, the Bank (as the case may be), the Paying Agents and the Trustee as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant global Note and the expressions Noteholder and holder of Notes and related expressions shall be construed accordingly.

References herein to Clearstream, Luxembourg and/or Euroclear shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system approved by the Issuer, the Bank (when the Notes benefit from the Guarantee), the Agent and the Trustee and specified in the applicable Final Terms.

Notes which are represented by a global Note will be transferable only in accordance with the rules and procedures for the time being of Clearstream, Luxembourg or Euroclear.

## **2. Status of the Notes**

The applicable Final Terms will indicate whether the Notes are Senior Notes or Subordinated Notes.

### *(a) In the case of Senior Notes*

If the Notes are specified as Senior Notes in the applicable Final Terms, the Notes and the relative Coupons are direct, unconditional, unsecured (subject to the provisions of Condition 3) and unsubordinated obligations of the Issuer and rank and will rank *pari passu* among themselves and with all present and future unsecured (subject as aforesaid) and unsubordinated obligations of the Issuer, save for those that have been accorded by law preferential rights.

### *(b) In the case of Subordinated Notes of BCP Finance*

If the Notes are specified as Subordinated Notes and the Issuer is specified as BCP Finance in the applicable Final Terms, the Notes and the relative Coupons are direct, unconditional and unsecured obligations of BCP Finance subordinated as provided below and rank and will rank *pari passu* among themselves.

The claims of the holders of the Notes and the relative Coupons against BCP Finance in respect of payments pursuant to the Notes and the relative Coupons will, in the event of the winding-up of BCP Finance, be subordinated to the claims of all Senior Creditors of BCP Finance in accordance with the provisions of the Trust Deed. “**Senior Creditors of BCP Finance**” means all secured creditors of BCP Finance and all other creditors of BCP Finance except those whose claims are or are expressed to be subordinated, in the event of the winding-up of BCP Finance, to the right to payment of all unsubordinated creditors of BCP Finance.

### *(c) In the case of Subordinated Notes of the Bank*

If the Notes are specified as Subordinated Notes and the Issuer is specified as the Bank in the applicable Final Terms, the Notes and the relative Coupons are direct, unconditional and unsecured obligations of the Bank, save that the claims of the holders of the Notes and the relative Coupons in respect of payments pursuant thereto will, in the event of the winding-up of the Bank, (to the extent permitted by Portuguese law) be subordinated to the claims of all Senior Creditors of the Bank. The subordination of the Notes is for the benefit of the Bank and all Senior Creditors of the Bank. “**Senior Creditors of the Bank**” means all secured creditors of the Bank and all other

creditors of the Bank except those whose claims rank or are expressed to rank *pari passu* with or junior to the claims of the holders of any Subordinated Notes and the relative Coupons.

### 3. Negative Pledge

This Condition 3 shall apply only to Senior Notes and references to “**Notes**”, “**Noteholders**” and “**Couponholders**” shall be construed accordingly.

So long as any of the Notes remains outstanding (as defined in the Trust Deed), neither the Issuer nor the Bank (when the Notes benefit from the Guarantee) shall create or permit to be outstanding any mortgage, charge, lien, pledge or other similar encumbrance or security interest (each a “**security interest**”) upon the whole or any part of its undertaking or assets, present or future (including any uncalled capital if applicable), to secure any Indebtedness (as defined below) or to secure any guarantee or indemnity given in respect of any Indebtedness, without, in the case of the creation of a security interest, at the same time and, in any other case, promptly according to the Noteholders and the Couponholders an equal and rateable interest in the same or, at the option of the relevant Issuer, providing to the Noteholders and the Couponholders such other security as the Trustee shall, in its absolute discretion, deem to be not materially less beneficial to the Noteholders or as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders save that the Issuer or the Bank (when the Notes benefit from the Guarantee) may create or permit to subsist a security interest to secure Indebtedness and/or any guarantee or indemnity given in respect of Indebtedness of any person, in each case as aforesaid, (but without the obligation to accord or provide to the Noteholders and the Couponholders either, an equal and rateable interest in the same or such other security as aforesaid) where such security interest:

- (a) is only over such part of the undertaking or assets, present or future, of the Issuer or the Bank (when the Notes benefit from the Guarantee) that belonged to a company whose assets or undertaking have become part of the assets or undertaking of the Issuer or the Bank (when the Notes benefit from the Guarantee) pursuant to an amalgamation or merger of such company with the Issuer or the Bank (when the Notes benefit from the Guarantee), which security interest exists at the time of such amalgamation or merger and was not created in contemplation thereof or in connection therewith and the principal, nominal or capital amount secured at the time of such amalgamation or merger is not thereafter increased; or
- (b) is created pursuant to any securitisation, asset-backed financing or like arrangement in accordance with normal market practice and whereby the amount of Indebtedness secured by such security interest or in respect of which any guarantee or indemnity is secured by such security interest is limited to the value of the assets secured; or
- (c) is granted in relation to mortgage-backed bonds (“*obrigações hipotecárias*”) issued by the Bank under Portuguese law and “covered bonds”.

“**Indebtedness**” means any borrowings having an original maturity of more than one year in the form of or represented by bonds, notes, debentures or other securities (not comprising, for the avoidance of doubt, preference shares or other equity securities) which with the consent of the Issuer or the Bank (when the Notes benefit from the Guarantee), as the case may be, are, or are intended to be, listed or traded on any stock exchange or other organised market for securities (whether or not initially distributed by way of private placing) other than a borrowing which is entirely or substantially placed in Portugal.

### 4. Status of the Guarantee

The Bank, acting through its Macao branch, if so stated in the applicable Final Terms, has in the Trust Deed unconditionally and irrevocably guaranteed the due and punctual payment of the principal of, and interest on, such Notes issued by BCP Finance and all other amounts payable by BCP Finance under or pursuant to the Trust Deed in relation to such Notes (the “**Guarantee**”).

The obligations of the Bank under the Guarantee constitute:

- (a) in the case of Senior Notes, direct, unconditional, unsecured (subject to the provisions of Condition 3) and unsubordinated obligations of the Bank and rank and will rank *pari passu* with all present and future unsecured (subject as aforesaid) and unsubordinated obligations (including those arising under deposits received in its banking business) of the Bank, save for those that have been accorded by law preferential rights; and
- (b) in the case of Subordinated Notes, direct, unconditional and unsecured obligations of the Bank, save that the claims of the holders of the Notes and the relative Coupons in respect of payments pursuant thereto will, in the event of the winding-up of the Bank, (to the extent permitted by Portuguese law) be subordinated to the claims of all Senior Creditors of the Bank (as defined in Condition 2(c)). The subordination of the Guarantee is for the benefit of the Bank and all Senior Creditors of the Bank.

## 5. Interest

The applicable Final Terms will indicate whether the Notes are Fixed Rate Notes, Floating Rate Notes or Zero Coupon Notes.

### (a) *Interest on Fixed Rate Notes*

This Condition 5(a) applies to Fixed Rate Notes only. The applicable Final Terms contains provisions applicable to the determination of fixed rate interest and must be read in conjunction with this Condition 5(a) for full information on the manner in which interest is calculated on Fixed Rate Notes. In particular, the applicable Final Terms will specify the Interest Commencement Date, the Rate(s) of Interest, the Interest Payment Date(s), the Maturity Date, the Fixed Coupon Amount, any applicable Broken Amount, the Calculation Amount, the Day Count Fraction and any applicable Determination Date.

Each Fixed Rate Note bears interest from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest payable in arrear on the Interest Payment Date(s) in each year up to the Maturity Date. Interest on Fixed Rate Notes which are Book Entry Notes will be calculated on the full nominal amount outstanding of Fixed Rate Notes and will be paid to the Affiliate Members of Interbolsa for distribution by them to the accounts of entitled Noteholders of Book Entry Notes in accordance with Interbolsa's usual rules and operating procedures.

If the Notes are in definitive form, except as provided in the applicable Final Terms, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Final Terms, amount to the Broken Amount so specified.

Except in the case of Notes in definitive form, where an applicable Fixed Coupon Amount or Broken Amount is specified in the applicable Final Terms, such interest shall be calculated in respect of any period by applying the Rate of Interest to:

- (A) in the case of Fixed Rate Notes which are represented by a global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such global Note; or
- (B) in the case of Fixed Rate Notes in definitive form, the Calculation Amount,

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

In these Conditions:

“**Day Count Fraction**” means, in respect of the calculation of an amount of interest in accordance with this Condition 5:

- (i) if “**Actual/Actual (ICMA)**” is specified in the applicable Final Terms:
  - (a) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the “**Accrual Period**”) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or
  - (b) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
    - (1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; and
    - (2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
- (ii) if “**30/360**” is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of 12 30-day months) divided by 360;

“**Determination Period**” means the period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date); and

“**sub-unit**” means with respect to any currency other than Euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to Euro, means one cent.

*(b) Interest on Floating Rate Notes*

*(i) Interest Payment Dates*

This Condition 5(b) applies to Floating Rate Notes only. The applicable Final Terms contains provisions applicable to the determination of floating rate interest and must be read in conjunction with this Condition 5(b) for full information on the manner in which interest is calculated on Floating Rate Notes. In particular, the applicable Final Terms will identify any Specified Interest Payment Dates, any Specified Period, the Interest Commencement Date, the Business Day Convention, any Additional Business Centres, whether ISDA Determination or Screen Rate Determination applies to the calculation of interest, the party who will calculate the amount of interest due if it is not the Agent, the Margin, any maximum or minimum interest rates and the Day Count Fraction. Where ISDA Determination applies to the calculation of interest,

the applicable Final Terms will also specify the applicable Floating Rate Option, Designated Maturity and Reset Date. Where Screen Rate Determination applies to the calculation of interest, the applicable Final Terms will also specify the applicable Reference Rate, Interest Determination Date(s) and Relevant Screen Page.

Each Floating Rate Note bears interest from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

- (A) the Specified Interest Payment Date(s) in each year specified in the applicable Final Terms; or
- (B) if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each such date, together with each Specified Interest Payment Date, an “**Interest Payment Date**”) which falls on the number of months or other period specified as the Calculation Period in the applicable Final Terms after the preceding Specified Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period (which expression shall, in these Terms and Conditions, mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date). Interest on Floating Rate Notes which are Book Entry Notes will be calculated on the full nominal amount outstanding of Floating Rate Notes and will be paid to the Affiliate Members of Interbolsa for distribution by them to the accounts of entitled Noteholders in accordance with Interbolsa’s usual rules and operating procedures.

If a business day convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date (or any other date) would otherwise fall on a day which is not a Business Day, then, if the business day convention specified is:

- (1) in any case where Specified Periods are specified in accordance with Condition 5(b)(i)(B) above, the Floating Rate Convention, such Interest Payment Date (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (B) below shall apply *mutatis mutandis* or (ii) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (A) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (B) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or
- (2) the Following Business Day Convention, such Interest Payment Date (or other date) shall be postponed to the next day which is a Business Day; or
- (3) the Modified Following Business Day Convention, such Interest Payment Date (or other date) shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date (or other date) shall be brought forward to the immediately preceding Business Day; or
- (4) the Preceding Business Day Convention, such Interest Payment Date (or other date) shall be brought forward to the immediately preceding Business Day.

In these Conditions, “**Business Day**” means a day which is both:

- (I) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in each Additional Business Centre specified in the applicable Final Terms; and



- (II) either (1) in relation to any sum payable in a Specified Currency other than Euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney or Auckland, respectively) or (2) in relation to any sum payable in Euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the “**TARGET2 System**”) is open.

(ii) Rate of Interest

The Rate of Interest payable from time to time in respect of Floating Rate Notes will be determined in the manner specified in the applicable Final Terms.

(iii) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this sub-paragraph (iii), “**ISDA Rate**” for an Interest Period means a rate equal to the Floating Rate that would be determined by the Agent or other person specified in the applicable Final Terms under an interest rate swap transaction if the Agent or that other person were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes (the “**ISDA Definitions**”) and under which:

- (A) the Floating Rate Option is as specified in the applicable Final Terms;
- (B) the Designated Maturity is a period specified in the applicable Final Terms; and
- (C) the relevant Reset Date is the day specified in the applicable Final Terms.

Unless otherwise specified in the applicable Final Terms, the Minimum Rate of Interest shall be deemed to be zero.

For the purposes of this Condition 5(b)(iii), “**Floating Rate**”, “**Calculation Agent**”, “**Floating Rate Option**”, “**Designated Maturity**” and “**Reset Date**” have the meanings given to those terms in the ISDA Definitions.

(iv) Screen Rate Determination for Floating Rate Notes

Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

- (A) the offered quotation (if there is only one quotation on the Relevant Screen Page); or
- (B) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations, (expressed as a percentage rate per annum) for the Reference Rate(s) (being either LIBOR or EURIBOR, as specified in the applicable Final Terms) which appears or appear, as the case may be, on the Relevant Screen Page (or such replacement page on that service which displays the information) as at 11.00 a.m. (London time) in the case of LIBOR, or Brussels time, in the case of EURIBOR (the “**Specified Time**”) on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Agent. If five or more such offered quotations are available on the

Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

If the Relevant Screen Page is not available or if, in the case of (A), no such offered quotation appears or, in the case of (B), fewer than three such offered quotations appear, in each case at the Specified Time, the Agent (in respect of Notes other than Book Entry Notes) and the Portuguese Paying Agent (in respect of Book Entry Notes) shall request each of the Reference Banks (as defined below) to provide the Agent or, as the case may be, the Portuguese Paying Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately the Specified Time on the Interest Determination Date in question. If two or more of the Reference Banks provide the Agent or, as the case may be, the Portuguese Paying Agent with such offered quotations, the Rate of Interest for such Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place with 0.000005 being rounded upwards) of such offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Agent or, as the case may be, the Portuguese Paying Agent.

If on any Interest Determination Date one only or none of the Reference Banks provides the Agent or, as the case may be, the Portuguese Paying Agent with such offered quotations as provided in the preceding paragraph, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Agent or, as the case may be, the Portuguese Paying Agent determines as being the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the rates, as communicated to (and at the request of) the Agent or, as the case may be, the Portuguese Paying Agent by the Reference Banks or any two or more of them, at which such banks were offered, at approximately the Specified Time on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in the London interbank market (if the Reference Rate is LIBOR) or the Eurozone interbank market (if the Reference Rate is EURIBOR) plus or minus (as appropriate) the Margin (if any) or, if fewer than two of the Reference Banks provide the Agent or, as the case may be, the Portuguese Paying Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean (rounded as provided above) of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, at approximately the Specified Time on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Trustee and the relevant Issuer suitable for such purpose) informs the Agent or, as the case may be, the Portuguese Paying Agent it is quoting to leading banks in the London interbank market (if the Reference Rate is LIBOR) or the Eurozone interbank market (if the Reference Rate is EURIBOR) plus or minus (as appropriate) the Margin (if any), provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period, in place of the Margin relating to that last preceding Interest Period).

For the purposes of this Condition 5(b)(iv), “**Reference Banks**” means, in the case of (A), those banks whose offered rates were used to determine such quotation when such quotation last appeared on the Relevant Screen Page and, in the case of (B), those banks whose offered quotations last appeared on the Relevant Screen Page when no fewer than three such offered quotations appeared.

(v) Minimum Rate of Interest and/or Maximum Rate of Interest

If the applicable Final Terms specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the above provisions is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest. If the applicable Final Terms specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the above provisions is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(vi) Determination of Rate of Interest and Calculation of Interest Amounts

The Agent, in the case of Floating Rate Notes will, at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period. The Agent will calculate the amount of interest ("**Interest Amount**") payable on the Floating Rate Notes for the relevant Interest Period by applying the Rate of Interest to:

- (A) in the case of Floating Rate Notes which are represented by a global Note, the aggregate outstanding nominal amount of the Notes represented by such global Note; or
- (B) in the case of Floating Rate Notes in definitive form, the Calculation Amount,

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest for any Interest Period:

- (a) if "**Actual/Actual (ISDA)**" or "**Actual/Actual**" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (b) if "**Actual/365 (Fixed)**" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;
- (c) if "**Actual/365 (Sterling)**" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (d) if "**Actual/360**" is specified in the applicable Final Terms the actual number of days in the Interest Period divided by 360;
- (e) if "**30/360**", "**360/36**" or "**Bond Basis**" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1) + [30 \times (M_2 - M_1)] + (D_2 - D_1)]}{360}$$

where:

“**Y<sub>1</sub>**” is the year, expressed as a number, in which the first day of the Interest Period falls;

“**Y<sub>2</sub>**” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“**M<sub>1</sub>**” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“**M<sub>2</sub>**” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“**D<sub>1</sub>**” is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D<sub>1</sub> will be 30; and

“**D<sub>2</sub>**” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D<sub>1</sub> is greater than 29, in which case D<sub>2</sub> will be 30;

- (f) if “**30E/360**” or “**Eurobond Basis**” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1) + [30 \times (M_2 - M_1)] + (D_2 - D_1)]}{360}$$

where:

“**Y<sub>1</sub>**” is the year, expressed as a number, in which the first day of the Interest Period falls;

“**Y<sub>2</sub>**” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“**M<sub>1</sub>**” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“**M<sub>2</sub>**” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“**D<sub>1</sub>**” is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

“**D<sub>2</sub>**” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D<sub>2</sub> will be 30; and

- (g) if “**30E/360 (ISDA)**” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1) + [30 \times (M_2 - M_1)] + (D_2 - D_1)]}{360}$$

where:

“**Y<sub>1</sub>**” is the year, expressed as a number, in which the first day of the Interest Period falls;

“**Y<sub>2</sub>**” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“**M<sub>1</sub>**” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“**M<sub>2</sub>**” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“**D<sub>1</sub>**” is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case **D<sub>1</sub>** will be 30; and

“**D<sub>2</sub>**” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case **D<sub>2</sub>** will be 30.

(vii) Linear Interpolation

Where Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified as applicable in the applicable Final Terms) or the relevant Floating Rate Option (where ISDA Determination is specified as applicable in the applicable Final Terms), one of which shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period and the other of which shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period provided however that if there is no rate available for a period of time next shorter or, as the case may be, next longer, then the Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

“**Designated Maturity**” means, in relation to Screen Rate Determination, the period of time designated in the Reference Rate.

(viii) Notification of Rate of Interest and Interest Amount

The Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer, the Bank (when the Notes benefit from the Guarantee), the Trustee and any stock exchange on which the relevant Floating Rate Notes are for the time being listed and notice thereof to be published in accordance with Condition 15 as soon as possible after their determination but in no event later than the fourth London Business Day (as defined below) thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange on which the relevant Floating Rate Notes are for the time being listed and to the Noteholders in accordance with Condition 15. For the purposes of this paragraph, the expression “**London Business Day**” means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.

(ix) Determination or Calculation by Trustee

If for any reason the Agent at any time after the Issue Date defaults in its obligation to determine the Rate of Interest or calculate any Interest Amount in accordance with sub-paragraph (ii), (iii) or (iv) above, as the case may be, and, in each case, (vii) above, the Trustee shall determine the Rate of Interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the foregoing provisions of this Condition, but subject always to any Minimum or Maximum Interest Rate specified in the applicable Final Terms), it shall deem fair and reasonable in all the circumstances or, as the case may be, the Trustee shall calculate the Interest Amount(s) in such manner as it shall deem fair and reasonable in all the circumstances and each such determination or calculation shall be deemed to have been made by the Agent.

(x) Certificates to be Final

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5(b), whether by the Agent or the Trustee, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Bank (when the Notes benefit from the Guarantee), the Agent, the Trustee, the other Paying Agents and all Noteholders and Couponholders and (in the absence as aforesaid) no liability to the Issuer, the Bank (when the Notes benefit from the Guarantee), the Noteholders or the Couponholders shall attach to either the Agent or the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(c) *Accrual of Interest*

Each Note will cease to bear interest (if any) from the due date for its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue as provided in the Trust Deed or in the applicable Final Terms.

## 6. Payments

(a) *Method of Payment*

Subject as provided below:

- (i) payments in a Specified Currency other than Euro will be made by credit or transfer to an account in the relevant Specified Currency maintained by the payee with, or by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney or Auckland, respectively); and
- (ii) payments in Euro will be made by credit or transfer to a Euro account (or any other account to which Euro may be credited or transferred) specified by the payee or, at the option of the payee, by a Euro cheque.

(b) *Payments Subject to Fiscal and Other Laws*

Payments will be subject in all cases, but without prejudice to the provisions of Condition 8, to (i) any fiscal or other laws and regulations applicable thereto in any jurisdiction, and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the “**Code**”), or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 8) any law implementing an intergovernmental approach thereto. Any such amounts withheld or deducted will be treated as paid for all purposes under the Notes, and no additional amounts will be paid on the Notes with respect to any such withholding or deduction.

(c) *Presentation of Notes and Coupons*

Payments of principal in respect of definitive Bearer Notes will (subject as provided below) be made in the manner provided in paragraph (a) above only against presentation and surrender of definitive Bearer Notes, and payments of interest in respect of definitive Bearer Notes will (subject as provided below) be made as aforesaid only against presentation and surrender of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia and its possessions)).

Fixed Rate Notes in definitive bearer form (other than Long Maturity Notes (as defined below)) should be presented for payment together with all unmaturing Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmaturing Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmaturing Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 8) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 9) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note in definitive bearer form becoming due and repayable prior to its Maturity Date, all unmaturing Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note or Long Maturity Note in definitive bearer form becomes due and repayable, all unmaturing Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A “**Long Maturity Note**” is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

If the due date for redemption of any definitive Bearer Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant definitive Bearer Note.

Payments of principal and interest (if any) in respect of Notes represented by any bearer global Note will (subject as provided below) be made in the manner specified in paragraph (a) above and otherwise in the manner specified in the relevant bearer global Note against presentation or surrender, as the case may be, of such bearer global Note at the specified office of any Paying Agent outside the United States. A record of each payment made against presentation or surrender of such bearer global Note, distinguishing between any payment of principal and any payment of interest, will be made either on such bearer global Note by the Paying Agent to which it is presented or in the records of Euroclear and Clearstream, Luxembourg, as applicable.

Payments in respect of the Book Entry Notes will be made by transfer to the registered account of the Noteholders maintained by or on behalf of it with a bank that processes payments in Euro, details of which appear in the records of the relevant Affiliated Member of Interbolsa at the close of business on the Payment Business Day (as defined below) before the due date for payment of principal and/or interest.

“**Payment Business Day**” means a day which (subject to Condition 9):

- (a) is or falls before the due date for payment of principal and or interest; and
- (b) is a TARGET2 Settlement Day.

Unless otherwise specified, the holder of a global Note (or, as provided in the Trust Deed, the Trustee) shall be the only person entitled to receive payments in respect of Notes represented by such global Note and the

Issuer and the Bank (when the Notes benefit from the Guarantee) will be discharged by payment to, or to the order of, the holder of such global Note (or the Trustee, as the case may be) in respect of each amount so paid. Each of the persons shown in the records of Clearstream, Luxembourg or Euroclear as the beneficial holder of a particular nominal amount of Notes represented by such global Note must, unless the applicable Final Terms states otherwise, look solely to Clearstream, Luxembourg or Euroclear, as the case may be, for his share of each payment so made by the Issuer or the Bank (when the Notes benefit from the Guarantee) to, or to the order of, the holder of such global Note (or the Trustee, as the case may be). Unless otherwise specified or in the circumstances specified in the second paragraph of Condition 11, no person other than the holder of such global Note (or the Trustee, as the case may be) shall have any claim against the Issuer or the Bank (when the Notes benefit from the Guarantee) in respect of any payments due on that global Note.

Notwithstanding the foregoing, U.S. dollar payments of principal and interest in respect of Bearer Notes will be made at the specified office of a Paying Agent in the United States if:

- (A) the Issuer and the Bank (when the Notes benefit from the Guarantee) have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Bearer Notes in the manner provided above when due;
- (B) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions; and
- (C) such payment is then permitted under United States law without involving, in the opinion of the Issuer or the Bank (when the Notes benefit from the Guarantee), adverse tax consequences to the Issuer or the Bank (when the Notes benefit from the Guarantee).

*(d) Payment Day*

If the date for payment of any amount in respect of any Note or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, unless otherwise specified in the applicable Final Terms, “**Payment Day**” means any day which (subject to Condition 9) is:

- (i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:
  - (A) in the case of Notes in definitive form only, the relevant place of presentation;
  - (B) each Additional Financial Centre specified in the applicable Final Terms; and
- (ii) either (1) in relation to any sum payable in a Specified Currency other than Euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney or Auckland, respectively) or (2) in relation to any sum payable in Euro, a day on which the TARGET2 System is open.

*(e) Interpretation of Principal and Interest*

Any reference in these Terms and Conditions to principal in respect of the Notes shall be deemed to include, as applicable:



- (i) any additional amounts which may be payable with respect to principal under Condition 8 or pursuant to any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed;
- (ii) the Final Redemption Amount of the Notes;
- (iii) the Early Redemption Amount of the Notes;
- (iv) the Optional Redemption Amounts (if any) of the Notes;
- (v) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 7(g)); and
- (vi) any premium and any other amounts (other than interest) which may be payable by the Issuer or the Bank (where the Issuer is BCP Finance) under or in respect of the Notes.

Any reference in these Terms and Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 8 or pursuant to any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed.

## **7. Redemption and Purchase**

### *(a) Redemption at Maturity*

Unless previously redeemed or purchased and cancelled as specified below, each Note will be redeemed by the Issuer at its Final Redemption Amount specified in the applicable Final Terms in the relevant Specified Currency on the Maturity Date specified in the applicable Final Terms.

### *(b) Redemption for Tax Reasons*

Subject to Condition 7(g), the Notes may be redeemed at the option of the Issuer (after obtaining the consent of the Bank of Portugal whenever it is required in the case of Subordinated Notes) in whole, but not in part, at any time (if this Note is not a Floating Rate Note) or on any Interest Payment Date (if this Note is a Floating Rate Note), on giving not less than the minimum period and not more than the maximum period of notice specified in the applicable Final Terms to the Agent and the Trustee and, in accordance with Condition 15, the Noteholders (which notice shall be irrevocable), if:

- (i) the Issuer satisfies the Trustee immediately prior to the giving of such notice that, on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8 or (when the Notes benefit from the Guarantee) the Bank would be unable for reasons outside its control to procure payment by the Issuer and in making payment itself would be required to pay such additional amounts, in each case as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in Condition 8) or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date of the first Tranche of the Notes; and
- (ii) such obligation cannot be avoided by the Issuer or, as the case may be, the Bank (when the Notes benefit from the Guarantee) taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or, as the case may be, the Bank (when the Notes benefit from the Guarantee) would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

Prior to the publication of any such notice of redemption as referred to in the previous paragraph, the Issuer shall deliver to the Trustee a certificate signed by two Directors of the Issuer or, as the case may be, two Directors of the Bank (when the Notes benefit from the Guarantee) stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer to

so redeem have occurred, and an opinion of independent legal advisers of recognised standing to the effect that the Issuer or, as the case may be, the Bank (when the Notes benefit from the Guarantee) has or will become obliged to pay such additional amounts as a result of such change or amendment. The Trustee shall be entitled to accept such certificate and opinion as sufficient evidence of the satisfaction of such conditions precedent in which event they shall be conclusive and binding on the Noteholders and the Couponholders.

Subject as provided below with respect to Subordinated Notes issued by the Bank, Notes redeemed pursuant to this Condition 7(b) will be redeemed at their Early Redemption Amount referred to in paragraph (g) below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

In relation to any Series of Subordinated Notes issued by the Bank, the Notes may be redeemed at the option of the Issuer in whole, but not in part, at their Optional Redemption Amount as set out in the applicable Final Terms together with unpaid interest accrued to (but excluding) the date of redemption, at any time on the Issuer giving not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 15 (which notice shall be irrevocable) if, at any time after the Issue Date, the Issuer determines that it would not be entitled to claim a deduction in computing taxation liabilities in respect of the next interest payment to be made on the Notes or the value of such deduction to the Issuer would be reduced in either case as a result of any change in, or amendment to, the laws or regulations of any Tax Jurisdiction, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date of the Notes.

Prior to the publication of any such notice of redemption as referred to in the previous paragraph in respect of Notes other than Book Entry Notes, the Issuer shall deliver to the Trustee a certificate signed by two Directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer to so redeem (including those set out in Condition 7(k) below) have occurred. The Trustee shall be entitled to accept such certificate and opinion as sufficient evidence of the satisfaction of such conditions precedent in which event they shall be conclusive and binding on the Noteholders and the Couponholders.

*(c) Redemption upon the occurrence of a Capital Event*

In relation to any Series of Subordinated Notes issued by the Bank, the Notes may be redeemed at the option of the Issuer, in whole but not in part, at their Optional Redemption Amount as set out in the applicable Final Terms together with unpaid interest accrued to (but excluding) the date of redemption, at any time on the Issuer giving not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 15 (which notice shall be irrevocable), if, at any time after the Issue Date, the Issuer determines that there is a Capital Event.

Prior to the publication of any notice of redemption pursuant to this Condition 7(c) in respect of Notes other than Book Entry Notes, the Issuer shall deliver to the Trustee a certificate signed by two Directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer to so redeem (including those set out in Condition 7(k) below) have occurred. The Trustee shall be entitled to accept such certificate and opinion as sufficient evidence of the satisfaction of such conditions precedent in which event they shall be conclusive and binding on the Noteholders and the Couponholders.

For the purposes of these Conditions:

**“Applicable Banking Regulations”** means at any time the laws, regulations, requirements, guidelines and policies relating to capital adequacy then in effect in Portugal and applicable to the Bank, including, without limitation to the generality of the foregoing, those regulations, requirements, guidelines and policies relating to capital adequacy then in effect of the Relevant Authority and/or any regulation, directive or other binding rules, standards or decisions adopted by the institutions of the European Union;

**“Capital Event”** means the determination by the Bank after consultation with the Relevant Authority that the Notes are not eligible for inclusion in whole or in part in the Tier 2 capital of the Group or the Bank pursuant to

Applicable Banking Regulations (other than as a result of any applicable limitation on the amount of such capital as applicable to the Group or the Bank, as the case may be);

“**Group**” means together the Bank and its subsidiaries; and

“**Relevant Authority**” means the Bank of Portugal, the European Central Bank or such other authority (whether in Portugal or elsewhere) having primary responsibility for prudential supervision of the Bank.

*(d) Redemption at the Option of the Issuer (Issuer Call)*

This Condition 7(d) applies to Notes which are subject to redemption prior to the Maturity Date at the option of the Issuer (other than for taxation reasons), such option being referred to as an “**Issuer Call**”. The applicable Final Terms contains provisions applicable to any Issuer Call and must be read in conjunction with this Condition 7(d) for full information on any Issuer Call. In particular, the applicable Final Terms will identify the Optional Redemption Date(s), the Optional Redemption Amount(s), any minimum or maximum amount of Notes which can be redeemed and the applicable notice periods.

If Issuer Call is specified as being applicable in the applicable Final Terms, the Issuer may, having given not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms to Noteholders in accordance with Condition 15 (which notice shall be irrevocable and shall specify the date fixed for redemption)<sup>1</sup>, redeem all or some only of the Notes then outstanding on the Optional Redemption Date(s) and at the Optional Redemption Amount(s) specified in the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date(s). Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Higher Redemption Amount, in each case as may be specified in the applicable Final Terms.

*(e) Partial Redemption*

In the case of a partial redemption of Notes, the Notes to be redeemed (“**Redeemed Notes**”) will be selected individually by lot without involving any part only of a Bearer Note, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of Clearstream, Luxembourg and/or Euroclear (to be reflected in the records of Clearstream, Luxembourg and/or Euroclear as either a pool factor or a reduction in nominal amount, at their discretion) not more than five days prior to the date fixed for redemption (such date of selection being hereinafter called the “**Selection Date**”). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 15 not less than five days prior to the date fixed for redemption. The aggregate nominal amount of Redeemed Notes represented by definitive Notes shall bear the same proportion to the aggregate nominal amount of all Redeemed Notes as the aggregate nominal amount of definitive Notes outstanding bears to the aggregate nominal amount of the Notes outstanding, in each case on the Selection Date, provided that such first mentioned nominal amount shall, if necessary, be rounded downwards to the nearest integral multiple of the Specified Denomination, and the aggregate nominal amount of Redeemed Notes represented by a global Note shall be equal to the balance of the Redeemed Notes.

In case of a partial redemption of Book Entry Notes the nominal amount of all outstanding Book Entry Notes will be reduced proportionally.

*(f) Redemption at the Option of the Noteholders (Investor Put)*

This Condition 7(f) applies to Notes which are subject to redemption prior to the Maturity Date at the option of the Noteholder, such option being referred to as an “**Investor Put**”. The applicable Final Terms contains provisions applicable to any Investor Put and must be read in conjunction with this Condition 7(f) for full information on any Investor Put. In particular, the applicable Final Terms will identify the Optional Redemption

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<sup>1</sup> When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 5 clearing system business days’ notice for a call) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent or Trustee.

Date(s), the Optional Redemption Amount(s), any minimum or maximum amount of Notes which can be redeemed and the applicable notice periods.

If Investor Put is specified as being applicable in the applicable Final Terms, upon the holder of any Note giving to the Issuer in accordance with Condition 15 not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms (which notice shall be irrevocable)<sup>2</sup>, the Issuer will, upon the expiry of such notice, redeem such Note on the Optional Redemption Date and at the Optional Redemption Amount specified in the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date.

To exercise the right to require redemption of this Note the holder of this Note must deliver (i) (in the case of Notes in definitive form) a duly signed and completed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent or (ii) (in all other cases) a notice to the Paying Agent in accordance with the standard procedures of Clearstream, Luxembourg, Euroclear and/or Interbolsa or any common depositary, common safekeeper or custodian for them stating the principal amount of the Notes in respect of which such option is exercised (a “**Put Notice**”) accompanied by, if the Note is in definitive form, the Note itself, to the specified office of any Paying Agent at any time within the notice period during normal business hours of such Paying Agent. No deposit of Notes will be required in respect of Book Entry Notes. In the Put Notice the holder must specify a bank account (or, if payment is by cheque, an address) to which payment is to be made under this Condition.

Any Put Notice given by a holder of any Note pursuant to this paragraph (f) shall be irrevocable except where prior to the due date of redemption an Event of Default shall have occurred and be continuing in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this paragraph (f) and instead to declare such Note forthwith due and repayable pursuant to Condition 10.

*(g) Early Redemption Amounts*

For the purpose of paragraph (b) above and Condition 10, the Notes will be redeemed at the Early Redemption Amount calculated as follows:

- (i) in the case of Notes with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof; or
- (ii) in the case of Notes (other than Zero Coupon Notes) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Notes are denominated, at the amount specified in the applicable Final Terms or, if no such amount or manner is so specified in the Final Terms, at their nominal amount; or
- (iii) in the case of Zero Coupon Notes, at an amount (the “**Amortised Face Amount**”) calculated in accordance with the following formula:

$$\text{Early Redemption Amount} = \text{RP} \times (1 + \text{AY})^y$$

where:

“**RP**” means the Reference Price;

“**AY**” means the Accrual Yield expressed as a decimal; and

“**y**” is the Day Count Fraction specified in the applicable Final Terms which will be either (A) 30/360 (in which case the numerator will be equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue

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<sup>2</sup> When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 15 clearing system business days’ notice for a put) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent or Trustee.

Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (B) Actual/360 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (C) Actual/365 (in which case the numerator will be the actual number of days from (and including) the Issue Date of the first Tranche of Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 365).

*(h) Purchases*

The Issuer, the Bank (when the Notes benefit from the Guarantee) or any other Subsidiary (as defined in the Trust Deed) of the Bank may at any time purchase Notes (provided that, in the case of definitive Bearer Notes, all unmatured Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. Such Notes may be held, reissued, resold or, at the option of the Issuer, the Bank (when the Notes benefit from the Guarantee) or the relevant Subsidiary, surrendered to any Paying Agent for cancellation.

*(i) Cancellation*

All Notes which are redeemed will forthwith be cancelled (together, in the case of definitive Bearer Notes, with all unmatured Coupons and Talons attached thereto or surrendered therewith at the time of redemption), in the case of Book Entry Notes in accordance with the applicable regulations of Interbolsa. All Notes so cancelled and any Notes purchased and cancelled pursuant to paragraph (b) above (together, in the case of definitive Bearer Notes, with all unmatured Coupons and Talons cancelled therewith) shall be forwarded to the Agent, save in the case of Book Entry Notes, and shall not be capable of being reissued or resold.

*(j) Late Payment on Zero Coupon Notes*

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to paragraph (a), (b), (c), (d), or (f) above or upon its becoming due and repayable as provided in Condition 10 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in sub-paragraph (g)(iii) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and repayable were replaced by references to the date which is the earlier of:

- (i) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and
- (ii) the fifth day after the date on which the full amount of the monies payable has been received by the Agent or the Trustee and notice to that effect has been given to the Noteholder either in accordance with Condition 15 or individually.

*(k) Further Provisions Applicable to Redemption and Purchases of Subordinated Notes Issued by the Bank*

The Bank shall not be permitted to redeem or purchase any Subordinated Notes issued by it prior to the Maturity Date unless the following conditions (in each case, if and to the extent then required by Applicable Banking Regulations) are satisfied:

- (i) the Bank has given any requisite notice to the Relevant Authority and has obtained the Relevant Authority's prior permission or non-objection to the redemption or purchase (as the case may be) of the Notes;
- (ii) such redemption or purchase (as the case may be) complies with Applicable Banking Regulations;
- (iii) in the case of any redemption of Notes pursuant to Condition 7(b) or Condition 7(c), the Bank has demonstrated to the satisfaction of the Relevant Authority (A) that the circumstances giving rise to the Capital Event or the right to redeem under Condition 7(c) were not reasonably

foreseeable as at the Issue Date and, (B) in the case of Condition 7(b), that the change in the applicable tax treatment is material or, in the case of a Capital Event only, that the change in the applicable regulatory classification is sufficiently certain; and

- (iv) Notes may be purchased by the Bank prior to the fifth anniversary of the Issue Date only if then permitted by Applicable Banking Regulations and authorised by the Relevant Authority.

## **8. Taxation**

All payments of principal and interest in respect of the Notes and Coupons by the Issuer or the Bank (where the Notes benefit from the Guarantee) will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any Tax Jurisdiction unless such withholding or deduction is required by law. In such event, the Issuer or, as the case may be, the Bank (where the Notes benefit from the Guarantee) will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Note or Coupon:

- (i) presented for payment by or on behalf of, a Noteholder or Couponholder who is liable for such taxes or duties in respect of such Note or Coupon by reason of his having some connection with a Tax Jurisdiction other than the mere holding of such Note or Coupon; and/or
- (ii) presented for payment by or on behalf of, a Noteholder or Couponholder who is able to avoid such withholding or deduction by making a declaration of non-residence or other claim for exemption to the relevant tax authority; and/or
- (iii) presented for payment by or on behalf of, a Noteholder or Couponholder in respect of whom the information and documentation (which may include certificates) required in order to comply with the special regime approved by Decree-Law 193/2005, of 7 November 2005 as amended from time to time, and any implementing legislation, is not received before the Relevant Date; and/or
- (iv) presented for payment by or on behalf of, a Noteholder or Couponholder (A) in respect to whom the information and documentation required by Portuguese law in order to comply with any applicable tax treaty is not received by the Issuer or by the Portuguese Paying Agent directly from the Noteholders before the date by which such documentation is to be provided to the Issuer under Portuguese law, and (B) who is resident in one of the contracting states; and/or
- (v) presented for payment by or on behalf of, a Noteholder or Couponholder resident in a tax haven jurisdiction as defined in Ministerial order No. 150/2004, of 13 February 2004 (except for jurisdictions with which Portugal has entered into a double tax treaty or a tax information exchange agreement in force), as amended from time to time, with the exception of central banks and governmental agencies of those blacklisted jurisdictions; and/or
- (vi) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 6(c)); and/or
- (vii) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; and/or
- (viii) where such withholding or deduction is required to be made pursuant to Sections 1471 through 1474 of the Code or any regulations or agreements thereunder, official interpretations thereof, or law implementing an intergovernmental approach thereto; and/or

- (ix) presented for payment by or on behalf of a Noteholder or Couponholder who would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent in a Member State of the European Union; and/or
- (x) except for Notes issued by BCP Finance, presented for payment into an account held on behalf of undisclosed beneficial owners where such beneficial owners are not disclosed for purposes of payment and such disclosure is required by law.

As used herein:

- (A) **“Tax Jurisdiction”** means the Cayman Islands or any political subdivision or any authority thereof or therein having power to tax (in the case of payments by BCP Finance) or Portugal or any political subdivision or any authority thereof or therein having power to tax (in the case of payments by the Bank) or, in either case, any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which BCP Finance or the Bank become subject in respect of payments made by it of principal and interest on the Notes and Coupons; and
- (B) the **“Relevant Date”** means the date on which such payment first becomes due, except that, if the full amount of the monies payable has not been duly received by the Agent or the Trustee on or prior to such due date, it means the date on which, the full amount of such monies having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 15.

## 9. Prescription

The Notes and Coupons will become void unless presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 8) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 6(b) or any Talon which would be void pursuant to Condition 6(b).

## 10. Events of Default

### (a) *Events of Default relating to Senior Notes*

If the Notes are specified as Senior Notes in the applicable Final Terms and if any one or more of the following events (each an **“Event of Default”**) shall occur:

- (i) default is made for a period of 14 days or more in the payment of any principal or interest due in respect of the Notes or any of them after the due date therefor; or
- (ii) the Issuer or the Bank (when the Notes benefit from the Guarantee) fails to perform or observe any of its other obligations in respect of the Notes or under the Trust Deed or (in the case of Book Entry Notes) the Instrument and ((in the case of Notes other than Book Entry Notes) except where, in the opinion of the Trustee, such default is not capable of remedy where no such continuation or notice as is hereinafter referred to will be required) such failure continues for the period of 30 days (or (in the case of Notes other than Book Entry Notes) such longer period as the Trustee may permit) after notice has been given to the Issuer or, as the case may be, the Bank requiring the same to be remedied; or
- (iii) the repayment of any indebtedness owing by the Issuer or by the Bank (when the Notes benefit from the Guarantee) is accelerated by reason of default and such acceleration has not been rescinded or annulled, or the Issuer or the Bank (when the Notes benefit from the Guarantee) defaults (after whichever is the longer of any originally applicable period of grace and 14 days after the due date) in any payment of any indebtedness or in the honouring of any guarantee or

indemnity in respect of any indebtedness provided that no such event referred to in this sub-paragraph (iii) shall constitute an Event of Default unless the indebtedness whether alone or when aggregated with other indebtedness relating to all (if any) other such events which shall have occurred shall exceed USD 25,000,000 (or its equivalent in any other currency or currencies) or, if greater, an amount equal to 1% of the Bank's Shareholders' Funds (as defined below); or

- (iv) any order shall be made by any competent court or an effective resolution passed for the winding-up or dissolution of the Issuer or the Bank (when the Notes benefit from the Guarantee) (other than for the purpose of an amalgamation, merger or reconstruction previously approved in writing by the Trustee, in the case of Notes which are not Book Entry Notes, or by an Extraordinary Resolution of the Noteholders); or
- (v) the Issuer or the Bank (when the Notes benefit from the Guarantee) shall cease to carry on the whole or substantially the whole of its business (other than for the purpose of an amalgamation, merger or reconstruction previously approved in writing by the Trustee, in the case of Notes which are not Book Entry Notes, or by an Extraordinary Resolution of the Noteholders); or
- (vi) the Issuer or the Bank (when the Notes benefit from the Guarantee) shall stop payment or shall be unable to, or shall admit inability to, pay its debts as they fall due, or shall be adjudicated or found bankrupt or insolvent by a court of competent jurisdiction or shall make a conveyance or assignment for the benefit of, or shall enter into any composition or other arrangement with, its creditors generally; or
- (vii) a receiver, trustee or other similar official shall be appointed in relation to the Issuer or the Bank (when the Notes benefit from the Guarantee) or in relation to the whole or a substantial part of the assets of either of them or a temporary manager of the Bank is appointed by the Bank of Portugal or an encumbrancer shall take possession of the whole or a substantial part of the assets of the Issuer or the Bank (when the Notes benefit from the Guarantee), or a distress or execution or other process shall be levied or enforced upon or sued out against the whole or a substantial part of the assets of either of them and in any of the foregoing cases it or he shall not be discharged within 60 days; or
- (viii) the Bank sells, transfers, lends or otherwise disposes of the whole or a substantial part of its undertaking or assets (including shareholdings in its Subsidiaries or associated companies) and such disposal is substantial in relation to the assets of the Bank and its Subsidiaries as a whole, other than selling, transferring, lending or otherwise disposing on an arm's length basis; or
- (ix) except where the Issuer has been substituted as principal debtor pursuant to Condition 18, the Issuer (where the Issuer is BCP Finance) ceases to be a Subsidiary wholly owned and controlled, directly or indirectly, by the Bank; or
- (x) (where the Issuer is BCP Finance and the Notes benefit from the Guarantee) the Guarantee is terminated or shall cease to be in full force and effect,

then,

- (A) in respect of Notes other than Book Entry Notes, the Trustee at its discretion may, and if so requested in writing by the holders of not less than one-quarter of the nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders shall (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction), give notice to the Issuer that the Notes are, and they shall accordingly thereby forthwith become, immediately due and repayable at their Early Redemption Amount (as described in Condition 7(g)) together with accrued interest (as provided in the Trust Deed) provided that, in the case of any such Events of Default other than those described in sub-paragraphs (i) and (iv) above, the Trustee shall have certified in writing to the Issuer that such Event of Default is, in its opinion, materially prejudicial to the interests of the Noteholders; and



- (B) in respect of Book Entry Notes, any Book Entry Noteholder may give notice to the Bank and to the Portuguese Paying Agent at their respective specified offices, effective upon the date of receipt thereof by the Portuguese Paying Agent, that the Book Entry Notes held by such Book Entry Noteholder(s) are, and they shall accordingly thereby forthwith become, immediately due and repayable at their Early Redemption Amount (as described in Condition 7(g) together with accrued interest (as provided in the Instrument)).

As used above, “**Bank’s Shareholders’ Funds**” means, at any relevant time, a sum equal to the aggregate of the Bank’s shareholders’ equity as certified by the Directors of the Bank or in certain circumstances provided in the Trust Deed by the Auditors of the Bank by reference to the latest audited consolidated financial statements of the Bank.

*(b) Events of Default relating to Subordinated Notes*

(I) This Condition 10(b)(I) applies only to Subordinated Notes issued by BCP Finance and in this Condition 10(b)(I) references to “Notes” and “Issuer” shall be construed accordingly. If the Notes are specified as Subordinated Notes in the applicable Final Terms and if any one or more of the following events (each an “**Event of Default**”) shall occur:

- (i) default is made for a period of 14 days or more in the payment of any principal or interest due in respect of the Notes or any of them after the due date therefor; or
- (ii) any order shall be made by any competent court or an effective resolution passed for the winding-up or dissolution of the Issuer or the Bank (other than for the purposes of an amalgamation, merger or reconstruction on terms previously approved in writing by the Trustee),

then, the Trustee at its discretion may, and if so requested in writing by the holders of not less than one-quarter of the nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders shall (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction), give notice to the Issuer that the Notes are, and they shall accordingly thereby forthwith become, immediately due and repayable at their Early Redemption Amount (as described in Condition 7(g)) together with accrued interest (as provided in the Trust Deed).

(II) This Condition 10(b)(II) applies only to Subordinated Notes issued by the Bank and in this Condition 10(b)(II) references to “Notes” and “Issuer” shall be construed accordingly. If the Notes are specified as Subordinated Notes in the applicable Final Terms and if any one or more of the following events (each an “**Event of Default**”) shall occur:

- (i) default is made for a period of 14 days or more in the payment of any principal or interest due in respect of the Notes or any of them after the due date therefor, then
  - (A) in respect of Notes other than Book Entry Notes, the Trustee at its discretion may, and if so requested in writing by the holders of not less than one-quarter of the nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders shall (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction), without further notice, institute proceedings for the winding-up of the Issuer, but may take no other action in respect of such default; and
  - (B) in respect of Book Entry Notes, any Book Entry Noteholder may institute proceedings for the winding-up of the Issuer, but may take no other action in respect of such default;
- (ii) any order shall be made by any competent court or an effective resolution passed for the winding-up or dissolution of the Issuer (other than for the purposes of an amalgamation, merger or reconstruction on terms previously approved in writing by the Trustee, in the case of Notes which are not Book Entry Notes, or by an Extraordinary Resolution of the Noteholders), then

- (A) in respect of Notes other than Book Entry Notes, the Trustee at its discretion may, and if so requested in writing by the holders of not less than one-quarter of the nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders shall (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction), give notice to the Issuer that the Notes are, and they shall accordingly thereby forthwith become, immediately due and repayable at their Early Redemption Amount (as described in Condition 7(g)) together with accrued interest (as provided in the Trust Deed); and
- (B) in respect of Book Entry Notes, any Book Entry Noteholder may give notice to the Issuer and to the Portuguese Paying Agent at their respective specified offices, effective upon the date of receipt thereof by the Portuguese Paying Agent that the Book Entry Notes held by such Book Entry Noteholder(s) are, and they shall accordingly thereby forthwith become, immediately due and repayable at their Early Redemption Amount (as described in Condition 7(g)) together with accrued interest (as provided in the Instrument).

## 11. Enforcement

In the case of Notes other than Book Entry Notes, the Trustee may, to the extent permitted by applicable law and subject to the provisions of Condition 10(b)(II), at any time, at its discretion and without notice, take such proceedings and/or other action as it may think fit against or in relation to the Issuer or the Bank (when the Notes benefit from the Guarantee) to enforce the provisions of the Trust Deed, the Notes or the Coupons, but it shall not be bound to take any such action or any other proceedings to enforce the obligations of the Issuer or the Bank (when the Notes benefit from the Guarantee), as the case may be, in respect of the Trust Deed, the Notes or Coupons unless (i) it shall have been so directed by an Extraordinary Resolution of the Noteholders or requested in writing by the holders of at least one-quarter in nominal amount of the Notes then outstanding and (ii) it shall have been indemnified and/or secured to its satisfaction.

In the case of Book Entry Notes, the Trustee may, to the extent permitted by applicable law and subject to the provisions of Condition 10(b)(II), at any time, at its discretion and without notice, take such proceedings and/or other action as it may think fit against or in relation to the Bank to enforce the obligations of the Bank in respect of the covenants granted to the Trustee by the Bank under the Conditions or the Trust Deed; however the Trustee shall in no circumstances be bound to do so.

No Noteholder or Couponholder (in respect of Notes other than Book Entry Notes) shall be entitled to proceed directly against the Issuer or the Bank (when the Notes benefit from the Guarantee) unless the Trustee, having become bound to so proceed, fails to do so within a reasonable period and such failure is continuing provided that in the case of Book Entry Notes, the Trustee may not but the holders thereof may, to the extent permitted by applicable law and subject to the provisions of Condition 10(b)(II), at any time take such proceedings against the Bank as they may think fit to enforce the provisions of the Book Entry Notes and/or the Instrument.

## 12. Form and transfer of Book Entry Note generally and replacement of Notes, Coupons and Talons

### (a) *Form and Transfer of Book Entry Notes generally*

Notes held through accounts of Affiliate Members of Interbolsa will be represented in dematerialised book entry form (“*forma escritural*”) and can be either “*nominativas*” (in which case Interbolsa, at the Issuer’s request, can ask the Affiliated Members for information regarding the identity of the Noteholders and transmit such information to the Issuer) or “*ao portador*” (in which case Interbolsa cannot inform the Issuer of the identity of the Noteholders). Book Entry Notes shall not be issued in physical form, whether in definitive bearer form or otherwise. Book Entry Notes will be registered in the relevant issue account opened by the Issuer with Interbolsa and will be held in control accounts by the Affiliate Members of Interbolsa on behalf of the relevant Noteholders. Such control accounts will reflect at all times the aggregate number of Book Entry Notes held in the individual securities accounts opened by the clients of the Affiliate Members of Interbolsa (which may include Euroclear and Clearstream, Luxembourg). The transfer of Book Entry Notes and their beneficial interests will be made through Interbolsa.

*(b) Replacement of Notes, Coupons and Talons*

If any Bearer Note, Coupon or Talon shall become mutilated, defaced, destroyed, lost or stolen, it may be replaced at the specified office of the Agent upon payment by the claimant of the expenses incurred in connection with the replacement and on such terms as to evidence and indemnity and/or security as the Issuer may reasonably require. Mutilated or defaced Notes, Coupons or Talons must be surrendered before replacements will be issued.

**13. Agent and Paying Agents**

The names of the initial Agent and the other initial Paying Agents and their initial specified offices are set out below. If any additional Paying Agents are appointed in connection with any Series, the names of such Paying Agent will be specified in the applicable Final Terms.

The Issuer and the Bank (when the Notes benefit from the Guarantee) are, with the prior written approval of the Trustee, entitled to vary or terminate the appointment of any Paying Agent and/or appoint additional or other Paying Agents and/or approve any change in the specified office through which any Paying Agent acts, provided that:

- (i) so long as the Bearer Notes are listed on any stock exchange (or any other relevant authority), there will at all times be a Paying Agent (which may be the Agent) with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange (or any other relevant authority);
- (ii) there will at all times be a Paying Agent with a specified office in a principal financial centre approved by the Trustee in continental Europe;
- (iii) in the case of Bearer Notes, there will at all times be an Agent;
- (iv) the Issuer undertakes that it will maintain a Paying Agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive.

In addition, the Issuer and the Bank (when the Notes benefit from the Guarantee) shall, with the prior written approval of the Trustee, forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in the final paragraph of Condition 6(b). Notice of any variation, termination, appointment or change in Paying Agents will be given to the Noteholders promptly in accordance with Condition 15.

Banco Comercial Português, S.A. will be the Paying Agent in Portugal in respect of Book Entry Notes.

In acting under the Agency Agreement, the Agent and the Paying Agents act solely as agents of the Issuer and the Bank (when the Notes benefit from the Guarantee) and, in certain circumstances specified therein, of the Trustee, and do not assume any obligation or relationship of agency or trust to or with the Noteholders or Couponholders, except that (without affecting the obligations of the Issuer and the Bank (when the Notes benefit from the Guarantee) to the Noteholders and Couponholders to repay Notes and pay interest thereon) any funds received by the Agent for the payment of the principal of or interest on the Notes shall be held by it on trust for the Noteholders and/or Couponholders until the expiry of the period of prescription specified in Condition 9. Each of the Issuer and the Bank (when the Notes benefit from the Guarantee) has covenanted with the Trustee in the Trust Deed to perform and observe the obligations imposed upon it under the Agency Agreement. The Agency Agreement contains provisions for the indemnification of the Paying Agents and for their relief from responsibility in certain circumstances and entitles any of them to enter into business transactions with either the Issuer or the Bank (when the Notes benefit from the Guarantee) and any of their Subsidiaries without being liable to account to the Noteholders or Couponholders for any resulting profit.

#### **14. Exchange of Talons**

On and after the Interest Payment Date, as appropriate, on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 9. Each Talon shall, for the purposes of these Terms and Conditions, be deemed to mature on the Fixed Interest Date or the Interest Payment Date (as the case may be) on which the final Coupon comprised in the relative Coupon sheet matures.

#### **15. Notices**

All notices regarding the Notes shall be valid if published in the *Financial Times* or another English language daily newspaper of general circulation in Ireland approved by the Trustee and (so long as the relevant Notes are admitted to trading on, and listed on the official list of, the Irish Stock Exchange), any notice shall also be published in accordance with any relevant listing rules. The Issuer and the Bank (when the Notes benefit from the Guarantee) shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any other stock exchange (or any other relevant authority) on which the Notes are for the time being listed. Any such notice will be deemed to have been given on the date of the first publication in all the relevant newspapers.

Until such time as any definitive Notes are issued, there may, so long as the global Note(s) is or are held in its or their entirety on behalf of Clearstream, Luxembourg and/or Euroclear, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to Clearstream, Luxembourg and/or Euroclear for communication by them to the holders of the Notes and, in addition, for so long as any Notes are listed on a stock exchange and the rules of that stock exchange (or any other relevant authority) so require, such notice will be published in a daily newspaper of general circulation in the place or places required by that stock exchange (or any other relevant authority). Any such notice shall be deemed to have been given to the holders of the Notes on such day as is specified in the applicable Final Terms after the day on which the said notice was given to Clearstream, Luxembourg and/or Euroclear.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together with the relative Note or Notes, with the Agent. Whilst any of the Notes is represented by a global Note, such notice may be given by any Noteholder to the Agent via Clearstream, Luxembourg and/or Euroclear in such manner as the Agent and Clearstream, Luxembourg and/or Euroclear may approve for this purpose.

The Issuer shall comply with Portuguese law in respect of notices relating to Book Entry Notes.

#### **16. Meetings of Noteholders, Modification and Waiver**

The Trust Deed (in the case of Bearer Notes) and the Instrument (in the case of Book Entry Notes) contain provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of the provisions of the Notes, the Coupons or the Trust Deed. A meeting convened pursuant to the provisions of the Trust Deed, may be convened by the Issuer or the Bank (when the Notes benefit from the Guarantee) and shall be convened by the Issuer upon a requisition by Noteholders holding not less than one-tenth in nominal amount of the Notes for the time being remaining outstanding. A meeting convened pursuant to the provisions of the Instrument, may be convened by the Bank and should be convened by the Bank upon a requisition by Book Entry Noteholders holding not less than one-tenth in nominal amount of the Book Entry Notes for the time being remaining outstanding. The quorum at either of such meeting for passing an Extraordinary Resolution will be one or more persons holding or representing not less than a clear majority in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes or Coupons (including, amongst other things, modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes or Coupons) or certain provisions of the Trust Deed or the Instrument, as the case may be, the necessary quorum for passing an Extraordinary Resolution will be one or

more persons holding or representing not less than two-thirds, or at any adjourned such meeting not less than one-third, in nominal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting, and on all Couponholders.

The Trust Deed provides that the Trustee may (in respect of Notes other than Book Entry Notes), without the consent of the Noteholders or Couponholders agree to any waiver or authorisation of any breach or proposed breach by the Issuer or the Bank (when the Notes benefit from the Guarantee) of, any of the provisions of these Terms and Conditions or of any of the provisions of the Trust Deed or may determine that any act, omission, event or condition which, but for such determination, would or might otherwise on its own or together with another act, omission, event or condition constitute an Event of Default (without prejudice to the rights of the Trustee in respect of any subsequent breach of any of the provisions of these Terms and Conditions or any of the provisions of the Trust Deed or any subsequent act, omission, event or condition) shall not be treated as such, which, in the opinion of the Trustee, is not materially prejudicial to the interests of the Noteholders (other than Book Entry Noteholders).

The Trust Deed provides that the Trustee may, without the consent of Noteholders or Couponholders (including in respect of Book Entry Notes) agree to any modification of the provisions of the Terms and Conditions or of any of the provisions of the Trust Deed or the Instrument, which, in the opinion of the Trustee, is not materially prejudicial to the interests of the Noteholders, or to any modification of any of these Terms and Conditions or any of the provisions of the Trust Deed or the Instrument which is of a formal, minor or technical nature or which is made to correct a manifest error. Any such modification, waiver, authorisation or determination shall be binding on the Noteholders and Couponholders and, unless the Trustee agrees otherwise, any such modification shall be notified to the Noteholders as soon as practicable thereafter in accordance with Condition 15.

In connection with the exercise by it of any of its trusts, powers, authorities or discretions (including, but without limitation, any modification, waiver, authorisation, determination or substitution), the Trustee shall have regard to the general interests of the Noteholders as a class but shall not have regard to any interests arising from circumstances particular to individual Noteholders or Couponholders (whatever their number) and, in particular, but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders and Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer, the Bank (when the Notes benefit from the Guarantee) or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or Couponholders except to the extent already provided for in Condition 9 and/or any undertaking given in addition to, or in substitution for, Condition 8 pursuant to the Trust Deed.

## **17. Further Issues**

The Issuer shall be at liberty from time to time without the consent of the Noteholders or the Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single Series with the outstanding Notes. The Trust Deed contains provisions for convening a single meeting of the Noteholders and the holders of notes of other Series in certain circumstances where the Trustee so decides.

## **18. Substitution**

The Trustee may, without the consent of the Noteholders or the Couponholders (but, in the case of Subordinated Notes only, with the prior consent of the Bank of Portugal), agree with the Issuer and the Bank (when the Notes benefit from the Guarantee) to the substitution in place of the Issuer (or of any previous substitute under this Condition) as the principal debtor in respect of the Notes of either the Bank (where the Issuer is BCP Finance or another wholly-owned Subsidiary of the Bank) or a wholly-owned Subsidiary of the Bank, subject to:

- (a) where the new principal debtor is a wholly-owned Subsidiary of the Bank, the Notes being unconditionally and irrevocably guaranteed by the Bank acting through its Macao branch either on the same basis as that on which they were guaranteed immediately prior to the substitution (where, immediately prior to the substitution, the Issuer is BCP Finance and the Notes benefited from the Guarantee on issue or (being a previous substitute under this Condition) another wholly-owned Subsidiary of the Bank) or on an equivalent basis to that on which they would have been guaranteed immediately prior to the substitution had the Issuer been BCP Finance and the Notes benefited from the Guarantee on issue (where, immediately prior to the substitution, the Issuer is the Bank);
- (b) the Trustee being satisfied that the interests of the Noteholders will not be materially prejudiced by the substitution; and
- (c) certain other conditions set out in the Trust Deed being complied with.

## 19. Indemnification of Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility in certain circumstances including provisions relieving it from instituting proceedings to enforce repayment unless indemnified to its satisfaction. The Trustee is entitled to enter into business transactions with the Issuer and/or the Bank (when the Notes benefit from the Guarantee) or any of their Subsidiaries without accounting for any profit resulting therefrom and to act as trustee for the holders of any other securities issued by the Issuer or the Bank (when the Notes benefit from the Guarantee) or any Subsidiaries of the Bank.

## 20. Contracts (Rights of Third Parties) Act 1999

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Note, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

## 21. Governing law and submission to jurisdiction

- (a) The Trust Deed (except Clauses 2.8 and 7.8 insofar as they relate to Subordinated Notes), the Agency Agreement, the Notes (except Conditions 2(c) and 4(b)), the Coupons and any non-contractual obligations arising out of or in connection with the Trust Deed, the Agency Agreement, the Notes and the Coupons are governed by, and shall be construed in accordance with, English law save that, with respect to Book Entry Notes only, the form (“*representação formal*”) and transfer of the Notes, creation of security over the Notes and the Interbolsa procedures for the exercise of rights under the Notes are governed by, and shall be construed in accordance with, Portuguese law. Clauses 2.8 and 7.8 of the Trust Deed (in so far as they relate to Subordinated Notes) and Conditions 2(c) and 4(b) are governed by, and shall be construed in accordance with, Portuguese law. In each case, the application of such governing law shall be without prejudice to the applicability, under the conflicts rules applicable in the relevant forum, in the light of such submission, of Cayman Islands law (in relation to matters concerning BCP Finance) or Portuguese law (in relation to matters concerning the Bank as an Issuer or as guarantor, as the case may be).
- (b) Each of BCP Finance and the Bank has in the Trust Deed irrevocably agreed, for the exclusive benefit of the Trustee, the Noteholders and the Couponholders that the courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Trust Deed, the Notes and/or the Coupons (including a dispute relating to any non-contractual obligations arising out of or in connection with the Trust Deed, the Notes and/or the Coupons) and that accordingly any suit, action or proceedings (together referred to as “**Proceedings**”) arising out of or in connection with the Trust Deed, the Notes and/or the Coupons (including a dispute relating to any non-contractual obligations arising out of or in connection with the Trust Deed, the Notes and/or the Coupons) may be brought in such courts.

- (c) Each of BCP Finance and the Bank has in the Trust Deed irrevocably waived any objection which it may have now or hereafter to the laying of the venue of any such Proceedings in any such court and any claim that any such Proceedings have been brought in an inconvenient forum and has further irrevocably agreed that a judgement in any such Proceedings brought in the English courts shall be conclusive and binding upon it and may be enforced in the courts of any other competent jurisdiction. Nothing in this Condition shall limit any right to take Proceedings in any other court of competent jurisdiction, nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction, whether concurrently or not.
- (d) Each of BCP Finance and the Bank has in the Trust Deed appointed the London Representative Office of Banco Comercial Português, S.A. at 3rd Floor, 63 Queen Victoria Street, London EC4V 4UA for the time being as its agent for service of process in England in respect of any Proceedings and has undertaken that in the event of it ceasing so to act it will appoint such other person as the Trustee may approve as its agent for that purpose.

## **USE OF PROCEEDS**

The net proceeds from each issue of Notes will be applied by the relevant Issuer for the general corporate purposes, which include making a profit, of the Banco Comercial Português Group.



## BCP FINANCE BANK, LTD.

### Introduction

BCP Finance Bank, Ltd. (“**BCP Finance**”) was incorporated as an exempted company for an unlimited duration with limited liability under the laws of the Cayman Islands, on 27 March 1998 with the registered number 80648. BCP Finance holds a class B banking licence (number 98005) in the Cayman Islands and is regulated by the Cayman Islands Monetary Authority.

The Registered Office of BCP Finance is the 3rd floor, Strathvale House, 90 North Church Street, George Town, P.O. Box 30124, Grand Cayman KY1-1201, Cayman Islands. Its local Agent and Authorised Representative is Millennium bcp Bank & Trust (“**Mbcp B&T**”), at the same address and with the telephone and fax numbers (1) 345 815 0450 and (1) 345 949 7743, respectively. Both BCP Finance and Mbcp B&T are wholly-owned subsidiaries of Banco Comercial Português S.A. (“**BCP**”).

### Board of Directors

- (a) The Directors of BCP Finance are as follows:

<i>Name</i>	<i>Position in BCP Finance</i>	<i>Principal activity outside</i>
Filipe Maria de Sousa Ferreira Abecasis	Chairman and Director	Head of Planning, Research and ALM
Helena Soares Carneiro	Vice-Chairman and Director	Director and General Manager of Mbcp B&T
Belmira Abreu Cabral	Director	Manager of BCP and Head of Accounting of the BCP Group
José Carlos de Castro Monteiro	Director	Director and Senior Private Banker of Mbcp B&T
Alex Antonio Urtubia	Director	Director and IT and Resources Manager of Mbcp B&T

Mr José Carlos de Castro Monteiro is the Secretary of BCP Finance and Mr Alex Antonio Urtubia is the Assistant Secretary.

The business addresses of each of the Directors of BCP Finance are (i) in the case of Mr Filipe Maria de Sousa Ferreira Abecasis, Banco Comercial Português S.A., Avenida Professor Cavaco Silva, Edifício 2, Piso 1 C, 2744-002 Porto Salvo, Portugal and Ms Belmira Abreu Cabral, Banco Comercial Português S.A., Avenida Professor Cavaco Silva, Edifício 2, Piso 0 C, 2744-002 Porto Salvo, Portugal, and (ii) in the case of Ms Helena Soares Carneiro, Mr José Carlos de Castro Monteiro and Mr Alex Antonio Urtubia, 3rd floor, Strathvale House, 90, North Church Street, George Town, P.O. Box 30124, Grand Cayman KY1-1201, Cayman Islands.

- (b) The Directors do not, and it is not proposed that they will, have service contracts with BCP Finance. No Director has entered into any transaction which is or was unusual in its nature or conditions or was significant to the business of BCP Finance since its incorporation. No Director or any connected person has any interests, whether or not held by a third party, in the share capital of BCP Finance. At the date of this document there were no loans granted or guarantees provided by BCP Finance to any Director of BCP Finance.

As at the date of this Offering Circular, the Directors have not received, nor is it intended that they should in the future receive, any remuneration for the provision of their services to BCP Finance.

Other than as stated above, no Director has any activities outside BCP Finance which are significant with respect to BCP Finance.

There are no potential conflicts of interest between the duties of the persons listed above to BCP Finance and their private interests or duties.

### **Audit Committee**

The internal audit function of BCP Finance is performed by the BCP Group Internal Audit.

### **Group's Risk Management**

BCP's Board of Directors is responsible for the definition of the risk policy, including approval at the very highest level of the principles and rules to be followed in risk management and of the guidelines dictating the allocation of capital to the business.

The Board of Directors of BCP, through the Risk Commission that stems from its Executive Committee, ensures the existence of adequate risk control and of risk management systems at the level both of the Group and of each entity. The Board of Directors is also charged with approving the risk tolerance level acceptable to BCP and each entity, proposed by BCP's Executive Committee.

The said Risk Commission is responsible, at an executive level, for monitoring the overall levels of credit, market, liquidity and operational risk, ensuring its compatibility with the objectives, available financial resources and strategies that have been approved for the development of BCP's activity. This Commission has two sub-commissions: Pension Fund Risk Sub-Commission and the Credit Risk Monitoring Sub-Commission.

The Group Risk Officer is responsible for the risk control function for all Group entities. Thus, in order to the transversal monitoring and alignment of concepts, practices and objectives, the Group Risk Officer is responsible for informing the Risk Commission on the general risk level and for proposing measures to improve the control environment and to implement the approved limits.

The risk management activities of every entity included within the BCP's consolidation perimeter are governed by the principles and decisions established centrally by the Risk Commission and the main subsidiaries are provided with Risk Office structures which are established in accordance with the risks inherent to their particular business. A Risk Control Commission has been set up at each relevant subsidiary, responsible for the control of risks at local level, in which the Group Risk Officer takes part.

### **Activities**

BCP Finance is a wholly-owned subsidiary of BCP (indirectly) and acts as an overseas finance vehicle of BCP and of the BCP Group, issuing Notes pursuant to the Programme.

According to its Memorandum of Association, article 3, *"the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by any law. Without prejudice to the foregoing generality, the objects for which the Company is established include the following:*

- (i) To carry on, in any part of the world, business as bankers, capitalists, financiers, promoters concessionaires and merchants, and to undertake, carry on and execute all kinds of financial, commercial, manufacturing, trading and other operation, and to carry on any business which may seem to be capable of being conveniently carried on in connection with any of these objects, or calculated directly or indirectly, to enhance the value of, or facilitate to realisation of, or render profitable, any of the property or rights of the Company;*
- (ii) To advance, deposit or lend money, securities and property, to or with such persons and on such terms as may seem expedient, to discount, buy, sell and deal in bills, notes, warrants, coupons, and other negotiable or transferable securities or documents, to issue, confirm, notify and advise letters of credit of any kind, whether revocable or irrevocable, to guarantee or become liable for the payment of money or for the performance of any obligations, to engage in exchange of foreign currencies;*

(iii) *To carry on the business of a trust company or corporation in all its branches, and, without limiting the generality of the foregoing words, to undertake and execute trusts of all kinds, whether private or public, and to undertake the office of and act as trustee, executor, administrator, manager, agent, attorney, nominee, delegate, substitute director, secretary, treasurer, registrar, paying agent, receiver, liquidator, or for any person or persons, company, corporation, government, state, colony, province, dominion, sovereign or authority, supreme, municipal, local or otherwise, and generally to undertake, perform and discharge any trusts or trust agency business, and any office of confidence, either solely or jointly with others.”*

## **Share Capital**

The existing issued ordinary shares of BCP Finance are not listed on any stock exchange and are not traded in any recognised market.

The authorised share capital of BCP Finance is USD 246,000,000 divided into 246,000,000 Ordinary Shares of USD 1.00 nominal value each, issued to BCP International B.V.

On 15 January 2010, BCP Finance carried out the conversion of its 31,500,000 Series A Floating Rate Non-Cumulative Non-Voting Preference Shares, of USD 1.00 nominal value each, into 31,500,000 Ordinary Shares of USD 1.00 nominal value each. This operation was duly authorised by the Cayman Islands Monetary Authority and the shares were fully subscribed and paid by the previous sole shareholder BCP International II, Sociedade Unipessoal, S.G.P.S., Lda (which, during 2010, changed its name to Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda).

BCP Finance is a wholly owned indirect subsidiary of BCP.

There are no arrangements in place from which a change of control of BCP Finance may result.

## **General**

KPMG, situated at Century Yard, Cricket Square, George Town, P.O. Box 493, Grand Cayman KY1-1106, Cayman Islands are the auditors of BCP Finance (having been appointed by the Board of Directors on 31 March 1998 and having audited all the Issuer's annual reports including the two most recent ones for the years ended on 31 December 2012 and 31 December 2013). KPMG is a member of CISP – Cayman Islands Society of Professional Accountants.

BCP Finance complies with the general provisions of Cayman Islands law on corporate governance.

BCP Finance has made no investments since the date of its last audited financial statements and has made no firm commitments on future investments.

There have been no recent events particular to BCP Finance which are to a material extent relevant to the evaluation of BCP Finance's solvency.

No trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on BCP Finance's prospects for the current financial year have been identified.

Other than the execution of any relevant subscription agreement, the Dealer Agreement and any amendments thereof, the Agency Agreement and any amendments thereof, the Trust Deed and the Notes under the Programme, BCP Finance has not entered into any contract outside the ordinary course of its business which could result in the Issuer being under an obligation or entitlement that is material to its ability to meet its obligations to the holders of the Notes issued under the Programme.

**BCP FINANCE BANK, LTD.**

**Balance Sheets as at 31 December 2013 and 2012**

**(Amounts expressed in thousands of USD)**

	<u>2013</u>	<u>2012</u>
<b>Assets</b>		
Loans and advances to credit institutions .....		
Repayable on demand .....	263	384
Other loans and advances .....	3,034,567	2,600,388
Financial assets held for trading .....	2,078	13,333
Financial assets available for sale .....	3	4
Hedging derivatives.. .....	5,232	10,030
Other assets .....	-	143
 Total Assets .....	<u>3,042,143</u>	<u>2,624,282</u>
 <b>Liabilities</b>		
Deposits from credit institutions .....	1,513,029	897,932
Debt securities issued .....	460,524	649,184
Financial liabilities held for trading .....	1,334	4,190
Other financial liabilities at fair value through profit and loss .....	6,610	27,776
Subordinated debt .....	200,239	189,658
Other liabilities .....	78	124
 Total Liabilities .....	<u>2,181,814</u>	<u>1,768,864</u>
 <b>Shareholder's Equity</b>		
Share capital		
Ordinary shares .....	246,000	246,000
Share premium .....	315,000	315,000
Fair value reserves .....	5,214	6,620
Reserves and retained earnings .....	294,115	287,798
 Total Shareholder's Equity .....	<u>860,329</u>	<u>855,418</u>
	3,042,143	2,624,282

**BCP FINANCE BANK, LTD.**

**Statements of Comprehensive Income  
for the years ended 31 December 2013 and 2012**

**(Amounts expressed in thousands of USD)**

	<u>2013</u>	<u>2012</u>
Interest and similar income .....	42,613	52,435
Interest expense and similar charges .....	<u>47,913</u>	<u>63,653</u>
Net interest income .....	(5,300)	(11,218)
Gains arising from trading and hedging activities .....	<u>12,022</u>	<u>337,283</u>
Total operating income .....	<u>6,722</u>	<u>326,065</u>
Losses arising from trading and hedging activities .....	12,977	333,058
Other administrative costs .....	102	176
Other operating expenses .....	113	111
Total operating expenses .....	<u>13,192</u>	<u>333,345</u>
Loss for the year .....	<u>(6,470)</u>	<u>(7,280)</u>
Other Comprehensive Income		
<i>Items that will not be reclassified to the income statement</i>		
Exchange differences arising on translation of retained earnings .....	12,787	5,558
Exchange differences arising on translation of fair value reserves .....	300	159
<i>Items that may be reclassified to the income statement</i>		
Changes in fair value reserves		
Financial assets available for sale .....	<u>(1,706)</u>	<u>(1,631)</u>
Other comprehensive income .....	<u>11,381</u>	<u>4,086</u>
Total comprehensive income/(loss) for the year .....	<u>4,911</u>	<u>(3,194)</u>

**BCP FINANCE BANK, LTD.**

**Cash Flows Statements  
for the years ended 31 December 2013 and 2012**

**(Amounts expressed in thousands of USD)**

	<u>2013</u>	<u>2012</u>
<b>Cash flows from operating activities</b>		
Interest income received .....	40,172	54,192
Interest expense and commissions paid .....	(43,395)	(72,297)
Net cash flows from trading and hedging activities .....	2,428	13,668
Operating fees and other payments .....	(215)	(252)
 (Increase)/decrease in operating assets		
Loans and advances to credit institutions .....	(433,143)	2,452,679
 Increase/(decrease) in operating liabilities		
Deposits from credit institutions .....	613,305	(560,512)
Other liabilities .....	(44)	(237)
	<u>179,108</u>	<u>1,887,241</u>
 <b>Cash flows from financing activities</b>		
Repayment from issuance of debt securities .....	(202,430)	(1,898,616)
Repayment from issuance of subordinated debt .....	10,414	5,143
	<u>(192,016)</u>	<u>(1,893,473)</u>
 Exchange differences arising on translation of retained earnings at the year-end rates .....	12,787	5,558
	<u>12,787</u>	<u>5,558</u>
 Net decrease in cash and cash equivalents .....	(121)	(674)
Cash and cash equivalents at the beginning of the year .....	<u>384</u>	<u>1,058</u>
 Cash and equivalents at the end of the year .....	<u>263</u>	<u>384</u>

## DESCRIPTION OF THE BUSINESS OF THE GROUP

### A. Description of the Business of the Group

#### Overview

Millennium bcp Group (the “**Group**”) is one of the largest privately owned banking groups (and the second largest overall) in Portugal by distribution network, total assets, loans to customers (gross, excluding off balance sheet securitisations) and customer funds, as at 31 March 2014 (based on data from the Bank of Portugal). The Group offers a wide range of banking products and related financial services, both in Portugal and internationally, namely demand accounts, instruments of payment, savings and investment products, mortgage-loans, consumer credit, commercial banking, leasing, factoring, insurance, private banking and asset management, among others, and its customers are served on a segmented basis. Internationally, the Group has significant operations in Poland, Angola, Mozambique and Romania, the latter being subject to divestment under the Restructuring Plan. In addition, the Bank has a presence in Switzerland and the Cayman Islands and Macao.

In accordance with International Financial Reporting Standards (“**IFRS**”), the Group had at 31 March 2014, total assets of EUR 82,348, million and total customer funds (including customer deposits, debt securities, asset management and capitalisation insurance) in the sum of EUR 64,720 million. Loans to customers (gross) amounted to EUR 59,392 million. The consolidated solvency ratio, calculated in accordance with Bank of Portugal rules stood at 14.8% (Core Tier 1 at 13.9%).

Based on the latest available data from the Bank of Portugal, the Group accounted for 19.2% of loans to customers (gross) and 19.3% of deposits in the Portuguese banking sector on 31 March 2014.

In addition, on 30 June 2014, the Bank was one of the largest companies listed on Euronext Lisbon in terms of market capitalisation (EUR 3,762 million).

The Bank is registered with the Commercial Registry Office of Oporto under the sole commercial registration and tax identification number 501 525 882 and its registered offices are located at Praça Dom João I, 28, 4000–295 Oporto, with telephone number +351 211 134 001.

#### Bank History

BCP was incorporated on 17 June 1985 as a limited liability company (“*sociedade anónima*”) organised under the laws of Portugal following the deregulation of the Portuguese banking industry. BCP was founded by a group of over 200 shareholders and a team of experienced banking professionals who sought to capitalise on the opportunity to form an independent financial institution that would serve the then underdeveloped Portuguese financial market more effectively than state-owned banks.

While the Bank’s development was initially characterised by organic growth, a series of strategic acquisitions helped solidify its position in the Portuguese market and increase its offering of financial products and services. In March 1995, BCP acquired control of Banco Português do Atlântico, S.A. (“**Atlântico**”), which was then the largest private bank in Portugal. This was followed by a joint takeover bid for the whole share capital of Atlântico, launched together with Companhia de Seguros Império (“**Império**”), a Portuguese insurance company. In June 2000, Atlântico was merged into BCP. In 2000, BCP also acquired Império, along with Banco Mello and Banco Pinto & Sotto Mayor. In 2004, with a view to strengthening its focus on the core business of distribution of financial products and optimising capital consumption, BCP sold insurers Império Bonança, Seguro Directo, Impergesto and Servicomercial to the Caixa Geral de Depósitos group. BCP also entered into agreements with Fortis (currently Ageas) for the sale of a controlling stake and management control of insurers Ocidental Companhia Portuguesa de Seguros, S.A., Ocidental—Companhia Portuguesa de Seguros de Vida, S.A. and Médis Companhia Portuguesa de Seguros de Saúde, S.A., as well as the pension fund manager Pensõesgerere—Sociedade Gestora de Fundos de Pensões, S.A. Consistent with the Bank’s strategy on re-focusing its core business and maintaining capital discipline, between 2005 and 2007, the Bank sold Interbanco S.A., Credilar and sold or reduced its holdings in Friends Provident, Banca Intesa, Powszechny Zakład Ubezpieczeń, ONI, Banco Sabadell and Energias de Portugal.

The Bank has historically concentrated on businesses with strong growth prospects in foreign markets with a close historical connection to Portugal or that have large communities of Portuguese origin (such as Angola, Mozambique, the United States, Canada, France, Luxembourg and Macao), as well as in markets where the Bank's successful Portuguese business model can be effectively exported and tailored to suit such local markets (such as Poland, Greece and Romania). The Bank has operated in Poland since 1998, originally through a joint venture with Polish financial group Big Bank Gdąński ("**BBG**") and now as a 65.5% shareholder of Bank Millennium S.A., which was acquired by BCP in 2006. The Bank launched its Greek operations in 2000 and its Romanian operations in 2007. After the consolidation of its position in the Portuguese banking market, the Bank focused on the development of its retail business in new regions, with the goal of attaining significant positions in emerging markets in Europe and in Africa.

The Bank has pursued a consistent strategy of market segmentation. Until 2003, these segments were served through autonomous distribution networks operating under a variety of brand names. In October 2003, BCP began the process of replacing these brands in Portugal with a single brand name Millennium bcp. The rebranding in other markets was completed in 2006. All operations of the Bank are now carried out under the "Millennium" brand. In Portugal, the Bank also operates under the "ActivoBank" brand.

In recent years, the Bank has refocused on operations that it considers core to its business. As part of this refocus, the Bank divested several of its international operations (in Canada, France and Luxembourg), while retaining commercial protocols to facilitate remittances from Portuguese emigrants in those markets.

In 2004, the Bank also sold its non-life insurance businesses and divested a portion of its life insurance business by entering into a joint venture with Ageas (formerly Fortis), named Millenniumbcp Ageas, of which 51% is held by Ageas and 49% by the Bank. In addition, as part of its continued strategic refocus, in 2010, the Bank completed the divestment of assets classified as non-core through the sale of Millennium bank in Turkey (in which the Bank had retained a 5% stake), the divestment of which has now been completed, and Millennium bcp bank in the United States. In 2010, the Bank transformed its Macao off-shore branch into an on-shore branch. In September 2011, the Bank signed a partnership agreement with Banco Privado Atlântico, S.A. for the incorporation of a bank in Brazil. The partnership sought to furnish access to the Brazilian market, namely in the trade finance and corporate finance areas, which reflects the Bank's new strategic agenda of refocusing in affinity markets.

In 2010, in response to the worsening of the economic and sovereign crisis, the Bank carried out an adjustment to its strategic agenda based on three priority lines: (i) "Increasing Trust", in particular through strengthening customer relations, achieving higher capital ratios through the reduction of risk weighted assets (RWA), maintaining control of the commercial gap and improving net income; (ii) "Preparing the path out of the economic and financial crisis", particularly through the repricing of loans, growth of customer funds, improvement of collateral in credit operations, significant increase of eligible assets with central banks and the launch of an innovative bank based on the ActivoBank platform; and (iii) "Focus and Sustainability", through organisational streamlining, cost control, effective charge of commissions for provided services and focus on the international portfolio.

On 28 February 2012, the General Meeting of Shareholders approved amendments to the Articles of Association of the Bank, thereby adopting management restructuring through introduction of a one-tier management and supervisory model, composed of the Board of Directors, including an Executive Committee and Audit Committee (the latter comprising non-executive members, in accordance with the applicable law), and of the Statutory Auditor. An International Strategic Board was also created for the purpose of ensuring the development of the international expansion strategy of the Bank, and entrusted with the analysis and assessment of this strategy, as well as supervision over its development and implementation.

The Bank completed the Recapitalisation Plan approved by the General Meeting of Shareholders on 25 June 2012, which took place in two phases: (i) public investment, consisting of hybrid instruments qualifying as Core Tier 1 capital, in the amount of EUR 3,000 million, concluded at the end of June and (ii) private investment, consisting of a rights issue, in the amount of EUR 500 million, at the price of EUR 0.04 per ordinary share, which was completed in early October 2012. The Bank thus fulfilled the regulatory requirements established by the European Banking Authority ("**EBA**") and delivered its Core Tier 1 ratio of 9.7% in June 2012 and 9.8% in



December 2012. Adjusted for the sovereign debt buffer of zero as of 31 December 2012, the Core Tier 1 ratio as of 31 December 2012 was 11.4%, according to EBA and 12.4% in December 2012 according to the criteria of the Bank of Portugal. As at 31 December 2013, the Core Tier 1 ratio, according to the EBA criteria, was 10.8% and, adjusted for the sovereign debt buffer of zero as of 31 December 2013, the ratio was 12.8%. As at 31 March 2014, the Core Tier 1 ratio, according to the EBA criteria, was 11.0% and adjusted for the sovereign debt buffer of zero as of 31 December 2013, the ratio was 12.9%. As a result of the Recapitalisation Plan implemented by the Bank, and the terms provided by law, on 3 December 2012, the Government appointed two non-executive members to the Board of Directors to hold office during the term of the public investment, aimed at strengthening the Bank's own funds.

In December 2012, the Bank prepared and presented to the Portuguese Government a Restructuring Plan, required by national law and by the applicable European rules on matters of State aid. The Restructuring Plan was formally submitted by the Portuguese Government to the European Commission, in observance of the maximum period of six months after the approval of the Bank's Recapitalisation Plan as provided by the Decision 8840-B/2012 of the Minister of State and Finance, dated 28 June 2012, and published in the Official Gazette of Portugal Series on 3 July 2012.

In July 2013, the Bank was informed that an agreement between Portuguese authorities and the European Commission had been reached regarding BCP's Restructuring Plan, entailing an improvement of the profitability of the Bank in Portugal through continued cost reduction. On 2 September 2013, the DG Comp announced its formal decision in connection with its agreement with the Portuguese authorities concerning the Bank's Restructuring Plan. Pursuant to the decision, the Bank's Restructuring Plan was found in compliance with the European Union's rules relating to State aid, demonstrating the Bank's viability without continued State support.

The approved Restructuring Plan aimed at strengthening the Bank's strategy by focusing on its core activities and is designed to emphasise: (i) reinforcement of funding to the economy in full compliance with the regulatory capital levels requirements; (ii) the strategic focus of activity by separating assets deemed core and non-core (securities backed lending, highly leveraged loans, subsidised mortgage loans and loans to certain segments associated with construction, football clubs and real estate development), aiming to reduce non-core assets gradually; (iii) deleveraging of the balance sheet, with divestment of non-core assets and achievement of a LTD (loans-to-deposits) ratio of 120% from 2015 onward; (iv) improving operational efficiency, achieving a ROE (return on equity) minimum of 10% and a cost-to-income maximum of 50%, both from 2016 onwards; (v) implementation of a new approach in the asset management business by adopting an open-architecture distribution model, allowing for a wider range of customers' investment options; and (vi) continuation of the process of adjustment of the Bank's structure in the domestic market, in particular by optimising the number of branches and other areas of business support, highlighting the continuity of staff policies that adjust the staff to the demand for banking services. In particular, the agreement implies a reduction of about 25% of staff-related costs from December 2012 to December 2015 (an important part of this effort has already materialised in 2012 and 2013).

In addition, the Restructuring Plan underlines the significance of the strategic operations in Angola and Mozambique, which are important contributors to the strategy to support the business community and the net income of the Bank. Bank Millennium in Poland is considered a core operation, thus there is no commitment to sell unless the outstanding amount of GSIs by December 2016 exceeds EUR 700 million.

On the international front, the Restructuring Plan envisages the sale of BCP's operations in Romania in the medium term.

On 22 April 2013, BCP and Piraeus Bank SA entered into definitive agreements in connection with: (i) the sale of the entire share capital of Millennium Bank in Greece, and (ii) BCP's investment in the forthcoming capital increase of Piraeus Bank SA. The sale of the entire share capital of Millennium Bank in Greece to Piraeus Bank SA, pursuant to the general conditions as announced on 22 April 2013, was completed on 19 June 2013.

As anticipated, the exit from the Greek market took place on 30 October 2013 when the completion of BCP's disposal of its entire stake in Piraeus Bank SA was announced. Proceeds from the sale amounted to EUR 494 million, thereby appreciating in relation to the acquisition price of EUR 94 million. The transaction significantly

reduced the balance sheet risk, with a very positive effect on the Bank's Core Tier 1 capital, improving it by close to 40 basis points compared with 30 September 2013.

In December 2013, the Bank announced it had signed a memorandum of understanding with the labour unions to implement a process of salary adjustments for a temporary period, which is expected to allow BCP to achieve the agreed targets with DG Comp and the Portuguese State to reduce staff costs. The implementation of this agreement will be in force from July 2014 onward.

On 26 May 2014, as part of a process aiming to refocus on core activities defined as a priority in its Strategic Plan, the Bank announced that it agreed with the international insurance group Ageas a partial recast of the strategic partnership agreements entered into in 2004, which included the sale of its 49% interest in the (currently jointly owned) insurance companies that operate exclusively in the non-life insurance business, i.e. "Ocidental – Companhia Portuguesa de Seguros, S.A." and "Médis – Companhia Portuguesa de Seguros de Saúde, S.A."

On 24 June 2014, BCP announced that the Board of Directors of Millennium bcp had resolved, with the favourable prior opinion of the Audit Committee, to increase the share capital of the Bank by approximately EUR 2,250 million, through an offering of subscription rights to subscribe for 34,487,542,355 new ordinary shares, without nominal value, to existing holders of the Bank's ordinary shares, and other investors who acquire subscription rights (the "**Rights Offering**").

The subscription price was set at EUR 0.065 per share at a ratio of seven new ordinary shares for four ordinary shares held. The subscription price represented a discount of approximately 34% to the theoretical ex-rights price based on the closing price of Millennium bcp shares on Euronext Lisbon on 24 June 2014.

Each holder of the Bank's ordinary shares received one subscription right for each ordinary share it owns.

On 22 July 2014, the Bank announced the results of the share capital increase: 34,082,211,308 ordinary shares were subscribed to pursuant to the exercise of subscription rights, representing about 98.8% of the total number of ordinary shares to be issued pursuant to the Rights Offering. The remaining 405,331,047 ordinary shares were available to satisfy oversubscription orders. Oversubscription orders totalled 9,243,741,767 ordinary shares, which exceeded about 21.8 times the amount available. The total demand registered in this capital increase accounted for approximately 125.6% of the amount of the Rights Offering.

The transaction represented an important step in order to allow the total reimbursement of EUR 2,250 million of CoCos to the Portuguese State (of which EUR 400 million occurred in May and EUR 1,850 million to be authorised by the Bank of Portugal in third quarter of 2014).

On 30 July 2014, the Bank announced the assignment of the agreement with OTP Bank regarding the sale of the entire share capital of Banca Millennium (Romania) ("**BMR**"). The transaction was subject to customary conditions, in particular to obtaining regulatory approvals.

The aggregate consideration for the sale of the share capital of BMR was agreed at EUR 39 million. On the date of closing of the sale transaction, OTP Bank will ensure full reimbursement to BCP of the intra-group funding currently provided by BCP to BMR, amounting to approximately EUR 150 million.

The impact of the transaction on Bank's consolidated common equity tier 1 ratio is estimated to be negligible, reflecting a EUR 34 million loss, for which a provision was charged to the consolidated profit and loss account for the first half of 2014, offset by a EUR 351 million release of risk-weighted assets, as already factored in the pro forma capital ratios recently reported as of 30 June 2014 (12.5% in accordance with phased-in criteria, 9.0% on a fully implemented basis).

## **B. Business Overview**

### **Nature of Operations and Principal Activities**

The Group is engaged in a wide variety of banking and related financial services activities, in Portugal and internationally. The Bank operates in foreign markets, being present in the following markets: Poland, Switzerland,

Romania, Mozambique and Angola. In Portugal, the Bank's operations are primarily in retail banking, but it also offers a complete range of additional financial services (in accordance with article 3 of the articles of association of the Bank, which provides that "the purpose of the Bank is to engage in banking activities with such latitude as may be permitted by law"). The Bank also engages in a number of international activities and partnerships.

The Bank's banking products and services include demand accounts, instruments of payment, savings and investments, mortgage-loans, consumer credit, commercial banking, leasing, factoring, insurance, private banking and asset management, among others. The Bank's domestic retail banking activities are conducted mainly through its marketing and distribution network in Portugal, which follows a segmented approach to the Portuguese retail banking market and serves the diverse banking needs of specific groups of customers. Back office operations for the distribution network are integrated in order to explore economies of scale.

The Bank has subsidiaries that offer additional financial services, including investment banking, asset management and insurance. These subsidiaries generally distribute their products through the Bank's distribution networks. The Bank's retail banking and related financial services activities, together with its international operations and partnerships, are described in greater detail below.

## Strategy

In September 2012, BCP announced a new three phase Strategic Plan for the period up to 2017.

The Strategic Plan was further updated in September 2013, following the approval of BCP's Restructuring Plan by the European Commission, and subsequently updated pursuant to the Rights Offering successfully concluded in July 2014. The three phases of the Strategic Plan are as follows:

Phase 1 (2012 to 2013): Setting the foundation for sustainable future development

- During the first phase of the Strategic Plan, the management's key priority was the reinforcement of the balance sheet through a reduction of the Bank's dependence on wholesale funding and increasing its regulatory capital ratios.

Phase 2 (2014 to 2015): Creating conditions for growth and profitability

- During the second phase of the Strategic Plan, the management's focus is on recovering profitability of the Bank's domestic operations, coupled with the continued development of the international subsidiaries in Poland, Mozambique and Angola.
- Improvement in domestic profitability is expected to be primarily driven by (i) an increase in net interest margin through a reduction in the cost of deposits and an improving lending mix towards higher margin products, (ii) a continued focus on operating cost optimisation through a reduction in headcount and elimination of administrative overlaps and (iii) the adoption of strict credit risk limits, thereby driving down recurring provisioning expenses.

Phase 3 (2016 to 2017): Sustained growth

- During the third phase, management will be focused on reaching a sustainable growth of net income, benefitting from the successful implementation of the first two phases of the Strategic Plan, an improved balance between the contributions of the domestic and international operations towards profitability, and the completion of the winding down/divestment of the Bank's non-core portfolio.

The Board of Directors also approved an update of the Strategic Plan comprising a revision of targets to be achieved in or at the end of 2017:

- CET 1 ratio (according to CRD IV/CRR phased-in and fully implemented): > 10%
- Net loans to on balance sheet customer funds: < 100%

- Cost-to-income ratio: ~ 40%
- Operating costs in Portugal: ~ EUR 660 million
- Cost of risk: < 100 basis points
- Return on Equity (ROE): ~ 15%

The main actions required to successfully implement the Strategic Plan are:

- **Strengthening the balance sheet:** The Bank is aiming to improve its capital ratios through a reduction of risk weighted assets (RWA) via the deleveraging and the disposal or winding down of non-core operations. Strong internal capital generation in the latter phases of the Strategic Plan is also expected to contribute to capital accumulation. Additionally, the disposal or winding down of non-core operations and incorporation of off-balance sheet customer funds into on-balance sheet customer funds is expected to improve the liquidity position of the Bank by reducing the commercial gap and the Bank's reliance on wholesale sources of funding. This improvement in the commercial gap and increase in borrowings from public and private debt markets resulted in a reduction of net funds taken from the ECB. Over the course of the implementation of the Strategic Plan, it is the intention of the Bank's management to continue reducing the exposure to the ECB through a combination of initial deleveraging followed by continued deposit growth and controlled loan portfolio expansion.
- **Improving profitability of the domestic operations:** The Bank is in the process of optimising its product mix and will continue to adjust the pricing of the loans to better reflect the risk profile of each customer, which is expected to have a positive impact on both the net interest margin and the cost of risk of the Portuguese business. Further improvement to the net interest margin is expected from the continued reduction in spreads on term deposits.
- **Consolidating the Bank's leading position in the Portuguese private sector retail and SME/corporate banking markets:** The Bank has adopted a new business model focused on a new segmentation of its customer base, the ongoing review of the products and services it offers, and an adjustment of its back office units and branch network. This business model is being implemented in the expectation of expanding the Bank's geographic coverage and increasing client facing "sales capacity" while simultaneously reducing operating costs. In the retail customer segment, the strategy is to rebalance the portfolio mix from lower yielding mortgages towards higher yielding lending; in the SME/corporate segment, the focus will be on targeting export oriented companies. The Bank aims to ensure sustainable profitability in the medium- and long-term, with the objective of becoming "best in class" in operating efficiency, both in terms of generating revenues and operating expenses while maintaining high credit risk control, thereby preserving its strategic position in the Portuguese retail and SME banking markets.
- **Unique international position:** The Bank's international franchise is focused on the rapidly growing markets of Poland, Mozambique and Angola. In Poland, the Bank intends to continue its policy of customer acquisition, based on the existing large and modern branch network, its full offer of products and services and the strength of the Bank's brand. In addition, the Bank intends to continue focusing on cross-selling products and services to the existing customer base. In Mozambique, the Bank intends to continue leveraging its leading franchise in the country through the development of its branch network and the offering of new and innovative products and services to its customers. In Angola, the Bank aims to further develop its operations and increase its volumes in each business segment through growth of its customer base. All three of the Bank's core international markets are currently self-funded with customer deposits exceeding net customer loans, thereby not requiring parental funding from the Bank. This self-funding is expected to be maintained throughout the course of the growth and development of the international markets.

- **Risk management:** The Bank aims to implement a new monitoring system to manage performing loans with a higher probability of default, in addition to past due loans. The creation of a legacy portfolio coupled with the strengthening of the Bank's loan recovery capabilities is expected to reduce the overall delinquency level while maintaining focus on new credit underwriting with a risk profile in line with the Strategic Plan.

## Business Model

Part of the “back office” operations are provided by Millennium bcp Prestação de Serviços A.C.E. (formerly Servibanca), which plans, monitors and controls the costs and levels of services of the Group activities and provides various operational and technologic services and represents its members before third parties, particularly in areas of IT, operations, management and procurement.

On 28 February 2012, a General Meeting of Shareholders of the Bank was held, which approved the alteration and restructuring of the articles of association of the company, which was consolidated in the adoption of a one-tier management and supervision model, composed of a Board of Directors (that includes an Executive Committee), an Audit Committee and a Statutory Auditor.

Following the General Meeting held on 28 February 2012, the internal organisational model of the Bank covers four business areas: Retail, Companies, Asset Management & Private Banking and Business Abroad (Europe, Africa and Other), and two support units - Processes and Banking Services and Corporate Areas.

Regarding the internal organisation and decision-making structure, it is important to note the existence of a series of Committees and Commissions directly appointed by the Executive Committee which, apart from the Directors who are specifically entrusted with the monitoring of matters, include the employees of the Bank or Group who are the heads of their respective areas.

As at 31 December 2013, there were eight Committees, aimed at facilitating the co-ordination of current managerial decisions, involving the senior management of the units included in each business area, with a view to reconciling perspectives and supporting the managerial decision-making process of the Executive Committee, as follows:

- **Committee for the Approval of New Products:** This Committee is composed of 16 permanent members. In addition to five Directors with specific areas of responsibility, Miguel Maya, Miguel Bragança, Iglésias Soares, Luís Pereira Coutinho and Rui Manuel Teixeira, this Committee is also composed of the persons in charge of the Tax Advisory Department, Legal Department, Audit Department, Direct Banking Department, Compliance Office (acting as secretary of the Committee), Communication Department, Accounting Department, IT and Technology Department, Companies Products Marketing Division, Retail Marketing Department, Market Research and the Process Owner responsible for the Development of New Products and Services Heads of the proponent marketing areas.

This Committee has the primary mission and is entrusted with the analysis of the policy of approval, formalisation, and risk management inherent to the process of implementation, launch and commercialisation of new products and activities of the Bank, as well as correcting and rectifying specific characteristics of products or services or have them removed from the commercial circuit ensuring their suitability with the defined risk management policy and assessing any determinations or communications relative to the products or services issued by supervisory authorities; ensuring that the situations showing non-compliance with the procedures for the approval of new products and/or services are corrected in an appropriate manner.

- **Legal Affairs Committee:** This Committee is composed of eight permanent members. In addition to two Directors with specific areas of responsibility, Miguel Maya and Iglésias Soares, this Committee is composed of the Heads of the Tax Advisory Department, Legal Department, Logistics & Procurement Department, Litigation Department, Cost Control and Performance Department and the Company Secretary (which acts as secretary).

This Committee has the primary mission of ensuring an adequate co-ordination of the legal function between the different areas of the Bank and of issuing an opinion on the external engagement of legal services.

This Committee is entrusted with the analysis of the suitability of the legal function relative to the objectives of the Bank and the Group, promoting the effective co-ordination of the same, developing the awareness of the employees in general regarding legal affairs and encouraging the control and optimisation of internal and external legal means.

- **Costs and Investments Committee:** This Committee is composed of seven permanent members and the heads of other areas also participate by invitation when justified by the topic under discussion. In addition to three Directors with specific areas of responsibility, Miguel Maya, Miguel Bragança and Iglésias Soares, this Committee is composed of the Heads of the Logistics & Procurement Department, which acts as secretary, Cost Control and Performance Department, Operations Department and Information Technology Department.

This Committee is entrusted with the regular monitoring of the operating evolution and optimisation of the processes involving negotiation and/or acquisition of the most relevant goods and services for the Bank and authorisation of charges and payments.

- **Companies Committee:** This Committee is composed of 13 permanent members, and the heads of other areas also participate by invitation when justified by the topic under discussion. In addition to the Directors with specific areas of responsibility, Miguel Maya, Miguel Bragança, Luís Pereira Coutinho and Conceição Lucas, this Committee is composed of the Heads of the Large Corporates and Corporate Banking, SME/Commercial Banking (North, Centre and South), Companies Products Marketing Department (which acts as secretary), Companies Customers Marketing Department, Real Estate Business Department, Specialised Recovery Department and Specialised Monitoring Department.

This Committee ensures the analysis, preparation and planning of the monitoring and development of the Bank's business in the small and medium-sized enterprise ("SME"), Corporate, Large Corporates and Investment Banking segments and analysis of the compliance with the objectives; definition of the priorities of the commercial action; analysis of the business context and proposal of commercial actions and of the main risk indicators associated to the business, as well as analysis of the models of co-ordination of the business regarding their migration in the value proposal and their interconnection with the Bank's networks.

- **Banking Processes and Services Committee:** This Committee is composed of nine permanent members. In addition to three Directors with related areas of responsibility, Iglésias Soares, Luís Pereira Coutinho and Rui Manuel Teixeira, this Committee is composed of the Heads of the Logistics & Procurement Department, Cost Control and Performance Department, Information Technology Department, Operations Department (which acts as secretary), Quality and Network Support Department and Human Resources Department.

This Committee is entrusted with the monitoring of activity in the major areas of support to the Bank's frontend services; studying the best solutions for controlling costs, increasing efficiency and rationalising the Bank's activity; monitoring the Bank's Process Management model and the creation of new procedures, definition and improvement of the functions and powers of process owners; approving proposals to innovate and optimise the management of the Bank's resources; definition of policies for procurement and control of services from outsourcers used by the Bank; definition of policies for the engagement, monitoring and control of outsourcers and other external services; definition of the metrics for analysing the variables that can be controlled by the areas part of the Committee so as to maintain an ongoing measurement of the resources efficiency and productivity levels.

- **Human Resources Committee:** This Committee is composed of five permanent members, and the Heads of other areas also participate by invitation when justified by the topic under discussion. In addition to the three Directors with specific areas of responsibility, Nuno Amado, Miguel Bragança and Iglésias Soares, the Head of the Legal Affairs and the Head of Human Resources Department, which acts as secretary, are also members of this Committee.

The primary mission of this Committee is the definition, decision and monitoring of the Bank's human resources policies to support the operational and business efficiency.

This Committee is entrusted with the definition of the strategy and approval of the Bank's human resource policies, namely monitoring the top 10 key performance indicators of people management, hiring and internal mobility, intelligent rightsizing; compensation, benefits and programmes related to the recognition and involvement of employees, and talent management through the approval of mechanisms and timing of performance assessment, promotions, rotation and development plans, expatriation and acceleration of specific competences, as well as communication of human resources, aimed at reinforcing the culture, expectations, strategic alignment and mobilisation of employees, and also branding and value proposal and the external image of human resources.

- **Retail Committee:** This Committee is composed of 14 permanent members and three non-permanent members who participate in meetings when justified by the topic under discussion. In addition to the Directors with the specific areas of responsibility, Nuno Amado, Miguel Maya, Conceição Lucas, Miguel Bragança and Rui Manuel Teixeira, this Committee is composed of, as permanent members, the Heads of the Direct Banking Department, Communication Department, Management Information Department, Credit Division; Retail Marketing Department (which acts as secretary), Quality and Network Support Department, Retail Recovery Department, Foreign Residents Department, Retail Departments – North, Centre North, Centre South and South and, as non-permanent members, the Heads of the Real Estate Business, Human Resources and Insurance areas.

The main mission of this Committee is following-up on the performance of the Retail Network and assessment of the objectives fulfilment; assessment of the business context and definition of commercial action priorities; approval of products and services; follow-up of the main risk indicators, as monitored by the Risk Commission, ensuring that the retail products and services are fully aligned with the objectives and strategies approved for the development of the retail activity; and assessment of the main quality indicators (for example, BASEF-Marktest).

- **Non-Core Business Committee:** This Committee is composed of 13 permanent members who participate in meetings when justified by the topic under discussion. In addition to the Directors with the specific areas of responsibility, Miguel Maya, Miguel Bragança and Conceição Lucas, this Committee is composed of, as permanent members, the Risk Officer, the Heads of Credit Division, Companies Recovery Division, Companies Products Marketing Division; Companies Marketing Division, Real-Estate Business Division; Research, Planning and ALM Division; Management Information Division, Specialised Monitoring Division and the Head of the Non-Core Business Monitoring Area of the Risk Office, which acts as secretary.

This Committee is entrusted with analysis, monitoring and planning of the activity to be developed in the various non-core business segments and definition of the major business strategic lines to adopt; following-up the development of the most significant operations and making all the decisions regarding non-core business management, except for credit decisions, as defined in the agreement established with DGComp, and also the evolution of the non-core business to determine if it complies with the defined objectives and with the restructuring plan.

It is an executive committee, the purpose of which is to ensure that, in compliance with that agreement, the management of the non core business is separated from the management of the core business, as if it was an autonomous bank.

As at 31 December 2013, there were four Commissions and two Sub-Commissions under the Executive Board of Directors, essentially with overall and transversal duties, responsible for pursuing the study and assessment, for each area of intervention, of the policies and principles which should guide the action of the Bank and the Group, as follows:

- **Pension Fund Monitoring Commission:** The mission of this Commission is the monitoring of the Pension Fund's financial management. This Commission issues opinions on proposals to

amend the respective constitutive contracts, and was established under the terms of article 53 of Decree-Law 12/2006, of 20 January 2006, as amended by Decree-Law 180/2007, of 9 May 2007.

This Commission is composed of two permanent members of the Executive Committee, the Vice-Chairman of the Executive Committee, Miguel Bragança and Rui Manuel Teixeira, member of the Executive Committee, and may also include other members of the Executive Committee, depending on the matters scheduled for discussion, the Risk Officer, the General-Manager of Pensõesgera (Pension Fund's holding company), the Heads of the Research, Planning and Assets and Liabilities Management Department and of the Human Resources Department, which also performs secretarial duties for this Commission. The Bank invited the Workers Committee to send a representative to this Commission, having for this reason assigned one of the two places to which it was entitled. This Commission also includes three representatives of the banking industry Unions.

- **Capital Assets and Liabilities Management Commission (CALCO):** The main duties of this Commission are the monitoring and management of market risks associated with the asset and liability structure, the planning and allocation of capital and definition of suitable policies for liquidity and market risk management for the Group as a whole. Eighteen permanent members of the Executive Committee are part of this Commission, including the Chairman and the two Vice-Chairmen, as well as the Heads of the Corporate Department, Research, Planning and Assets and Liabilities Management Department, which acts as secretary, Management Information Department, Companies Products Marketing Division, Companies Marketing Division; Retail Marketing Department, Risk Officer, Treasury and Markets Department and the International Strategic Research Office, by invitation.
- **Credit Commission:** This Commission, which has the composition and competences stipulated in the Credit Concession, Monitoring and Recovery Regulations, deliberates on the granting of loans and advances to customers (integrated or not in economic groups), whenever this involves an increase of exposure above EUR 10 million, or, for situations where the Bank's exposure is above EUR 50 million and for proposals of renewal or review of credit lines and ceilings which are within the aforesaid amounts. This Commission also issues an advisory opinion on the credit proposals made by entities operating abroad and part of the Group.

The Credit Commission is composed of a minimum of three members of the Executive Committee, the head of the Proponent Area, the head of the Specialised Monitoring, the Heads of the Credit Department, Specialised Recovery Department, Retail Recovery Department, Legal Affairs Department, Litigation Department, Rating Department and the Risk Officer of the Group. This Commission also includes, according to the specific operations to be assessed and/or their nature, the Coordinating Directors of the Commercial Areas, Investment Banking Department, Specialised Monitoring Department and Real Estate Business Department, Level 3 Credit Directors and the Compliance Officer.

This Committee is supported by secretarial services administered by the Company Secretary.

- **Risk Commission:** This Commission is responsible for monitoring global risk levels (credit, market, liquidity and operating risk levels), ensuring that these are compatible with the objectives, the available financial resources and strategies approved for the development of the Group's activity. This Commission also verifies if the management of risks complies with the applicable legislation/regulations.

All the members of the Executive Committee, the Compliance Officer, the Risk Officer, which acts as secretary, the Heads of the Audit Department, Credit Department, Research, Planning and Assets and Liabilities Management Department, Management Information Department, Rating and Assessments Department and Treasury and Markets Department are part of this Commission.

Two Sub-Commissions operate under the Risk Commission, the Pension Fund Risk Sub-commission and the Credit Risk Monitoring Sub-commission.



- **The Pension Fund Risk Sub-Commission** is responsible for monitoring the performance and risk of the Group's pension funds and defining suitable hedging and investment policy strategies.

Nuno Amado, Chairman of the Executive Committee, Miguel Bragança, Vice-Chairman of the Executive Committee, and Conceição Lucas, member of the Executive Committee, the Heads of the Research, Planning and Assets and Liabilities Management Department, Human Resources Department and the Risk Officer, who administers the secretarial services for this Sub-Commission, are part of this Sub-Commission as well as, by invitation, a representative of F&C Asset Management plc, the CEO of Millenniumbcp Ageas and the CEO of Pensõesgere.

- **The Credit Risk Monitoring Sub-Commission** is responsible for monitoring the evolution of credit exposure and of the contracting process, as well as the quality of the portfolio and key performance and risk indicators, counterparty risk, risk of concentration of the largest exposures concentration risk and the evolution of impairment and the main processes that are object of a separate assessment. This Sub-Commission also analyses the performance of the recovery processes and supervises the divestment of the real estate portfolio.

The members have the competence to assess and follow-up the exposure and quality of the credit portfolio and of the main risk indicators.

Miguel Maya, Vice-Chairman of the Executive Committee, and Luís Pereira Coutinho, Conceição Lucas and Rui Manuel Teixeira, members of the Executive Committee, as well as the Risk Officer, who administers the secretarial services, the Heads of the Corporate Department, Credit Department, Management Information Department, Companies Marketing Division; Companies Products Marketing Division, Retail Marketing Department, Real Estate Business Department, Rating and Assessments Department, Retail Recovery Department and Specialised Recovery Department are also members of this Sub-Commission.

In accordance with the International Financial Reporting Standards (“**IFRS**”) on 31 March 2014, the Group had total assets of EUR 82,348 million and total customers' funds in the sum of EUR 64,720 million. Loans to customers (gross) amounted to EUR 59,392 million. The consolidated solvency ratio, calculated in accordance with Bank of Portugal rules, stood at 14.8% (Core Tier 1 at 13.9%).

As at 31 December 2012, the business in Portugal accounts for 75% of total assets, 74% of gross loans to customers, 74% of total customers' funds and 50% of banking income. International operations account for 52% of the Group's 1,662 branches and 56% of approximately 20,205 employees in March 2013. It should be highlighted the maintenance of the expansion plans in Africa, with Millennium Angola having opened its 76th branch and Millennium bim, a strong leader in Mozambique, having achieved the milestone of one million active customers. In March 2013, these two operations, as a whole, recorded a contribution of EUR 26.8 million to the Group. Also noteworthy are the good results of the Polish operation, held by the Group in 65.5%, which showed a contribution of EUR 28.7 million in March 2013 (+9.0% y-o-y, including FX effects) and the growing size and importance of such operation in Poland, with 447 branches and a market share of approximately 5.1% in deposits and 4.8% in loans and advances to customers in May 2014 (Source: National Bank of Poland).

## **Other Financial Services in Portugal**

### **Mortgage Lending**

The Bank entered the mortgage lending business in 1992, when it launched, in association with Cariplo – Cassa di Risparmio delle Provincie Lombarde S.p.A. (now a part of the Italian financial group Banca Intesa), an autonomous mortgage bank, Banco de Investimento Imobiliário, S.A. (“**BII**”). BII was 69.9% owned by the Group, with the remaining 30.1% being owned by Banca Intesa. BII previously distributed its mortgage products through the Bank's marketing and distribution networks, as well as through its own retail outlets. On 21 September 2005, the Bank reached an agreement with Banca Intesa for the unwinding of the joint venture arrangements in relation to BII. In October 2005, the Bank acquired 30.1% of the capital of BII owned by Banca Intesa, becoming the sole shareholder of BII. Currently, BII is running a book of outstanding mortgage credit originating from mid-2007, which will progressively be reduced over time. The Bank runs the Portuguese mortgage business directly.

## Online Banking

ActivoBank is a leading internet bank in Portugal. Launched in 2010, ActivoBank offers a streamlined and convenient service with an emphasis on emerging distribution and communication channels (e.g. internet banking, mobile banking). ActivoBank targets younger, technologically savvy customers who prefer simple, modern banking products and services.

ActivoBank's main goal is to maintain a strong focus on its online presence through its website and social media. The pillar of ActivoBank's client relationship is based on online channels, despite also having 14 physical branches. ActivoBank was the first Portuguese bank to launch an exclusive application for smartphones. ActivoBank continues to invest heavily in developing new services and features, in alignment with new trends, with a primary emphasis on innovation.

## Insurance

The Bank has an interest in insurance activities through Millenniumbcp Ageas, a joint venture with Ageas for bancassurance business in Portugal. The Group holds 49% of Millenniumbcp Ageas' share capital, while the remaining 51% is held by Ageas.

## Foreign Business

BCP has concentrated on those businesses with strong growth prospects in foreign markets with a close historical connection to Portugal or that have large communities of residents with a Portuguese heritage (such as Angola and Mozambique), as well as in markets to which the Bank's successful business model in Portugal can be effectively exported and tailored to suit local markets, in particular in Poland.

### Poland

In Poland, the Bank operates through Bank Millennium, S.A. ("**Bank Millennium**"), and focuses its offerings on individuals and small and medium-sized companies. Bank Millennium is a full service national bank which, jointly with its subsidiaries, offers a complete range of financial products and services, including deposit-taking, savings and investment products, short- medium- and long-term lending (including mortgage lending and consumer credit), debit and credit cards, fund transfers and other payment methods, mutual funds, insurance, leasing, treasury services and money market transactions.

In 1998, the Bank entered into a partnership agreement with the Polish financial group, BBG, pursuant to which the Bank launched a retail operation with BBG in the Polish market under the "Millennium" brand.

The Bank now owns 65.5% of Bank Millennium.

As at 31 March 2014, Bank Millennium had a network of 435 retail branches, including larger multi-segment outlets, supported by an efficient sales platform and brand recognition.

In 2013, Bank Millennium began to implement its strategy, announced in October 2012 for the period from 2013 to 2015, which concentrates on banking relations with SMEs, the redesign of the product mix to higher margin products, the improvement of the balance sheet structure and increased profitability of the franchise. The improvement of sales efficiency and maintenance of efficiency through strict cost control are also priorities. The key objectives to be achieved by the Bank by 2015 include a ROE of 14-15%, an efficiency ratio of 50%, a Core Tier 1 ratio above 10% and a customer satisfaction index above 90%. As at 31 March 2014, the Bank achieved a ROE of 11.7% (10.6% as at 31 December 2013), an efficiency ratio of 50.5% (54.3% as at 31 December 2013), a Core Tier 1 ratio of 13.3% (13.4% as at 31 December 2013).

The Bank adopted various initiatives for the purpose of implementing the new strategy including action plans to increase consumer credit to companies, as well as initiatives to improve the liabilities side of the balance sheet, with higher weight of current and saving accounts. At the same time, the Bank is preparing itself for future challenges, investing in management information and in a multichannel platform, while keeping tight cost control.

As at 31 March 2014, Bank Millennium had EUR 13,875 million in total assets, EUR 12,435 million in customer funds, and EUR 10,594 million in loans to customers (gross), and was operating with 435 branches and had 5,878 employees. Bank Millennium's net income in the three months ended 31 March 2014 was EUR 37.2 million.

As at 31 December 2013, Bank Millennium had EUR 13,725 million in total assets, EUR 12,486 million in customer funds, and EUR 10,369 million in loans to customers (gross), and was operating 439 branches and had 5,881 employees. Bank Millennium's net income in the year ended 31 December 2013 was EUR 127.1 million.

#### Romania

Banca Millennium started its business activities in October 2007. Banca Millennium's structure comprises two main business areas: Retail Banking addressing the banking needs of the Mass Market individual segment as well as Prestige customers and Commercial Banking, which serves small- and medium-sized companies.

As at 31 March 2014, Banca Millennium had EUR 588 million in total assets, EUR 347 million in customer funds and EUR 477 million in loans to customers (gross), and was operating 56 branches and six business centres and had 533 employees. Banca Millennium net loss in the three months ended 31 March 2014 was EUR 0.9 million.

As at 31 December 2013, Banca Millennium had EUR 634 million in total assets, EUR 365 million in customer funds and EUR 488 million in loans to customers (gross), and was operating 65 branches and had 562 employees. Banca Millennium ended 2013 with a net loss of EUR 5.9 million.

Pursuant to the commitment made to DG Comp concerning the Bank's Restructuring Plan, on 30 July, the Bank announced the assignment of the agreement with OTP Bank regarding the sale of the entire share capital of BMR. The transaction was subject to customary conditions, in particular to obtaining regulatory approvals.

The aggregate consideration for the sale of the share capital of BMR was agreed at EUR 39 million. On the date of closing of the sale transaction, OTP Bank will ensure full reimbursement to BCP of the intragroup funding currently provided by BCP to BMR, amounting to approximately EUR 150 million.

The impact of the transaction on Bank's consolidated CET 1 ratio was estimated to be negligible, reflecting a EUR 34 million loss, for which a provision was charged to the consolidated profit and loss account for the first half of 2014, offset by a EUR 351 million release of risk-weighted assets, as already factored in the pro forma capital ratios recently reported as of 30 June 2014 (12.5% in accordance with phased-in criteria, 9.0% on a fully implemented basis).

#### Mozambique

The Bank has had banking operations in Mozambique since 1995. Banco Internacional de Moçambique ("**Millennium bim**") is Mozambique's largest bank. In 2013, Millennium bim upheld its reference position in the Mozambican market, as the largest financial group in Mozambique according to the Bank of Mozambique, as well as being the bank with the widest geographic coverage. As at 31 March 2014 the bank had 159 branches distributed over the entire country. Among the most important African banking institutions, Millennium bim's ranking was once again upgraded by *African Business* magazine and continues to be the only Mozambican bank included in the ranking of the 100 largest banks of Africa by the magazine. The Bank and its subsidiaries own a 66.7% stake in Millennium bim.

Millennium bim strengthened its reference position as a universal bank by following two pillars of action in terms of business initiatives, in particular the implementation of a segmentation strategy of the customer portfolio, which reached 1.2 million customers in 2013, and the launch of innovative products and services so as to meet the needs and expectations of its customers.

In pursuing its segmentation strategy, the Bank is consolidating its national coverage of the Prestige network through the opening of new dedicated branches, thus upholding its reference position in this segment, which has become increasingly more dynamic and competitive in the market.

As at 31 March 2014, Millennium bim had EUR 2,032 million in total assets, EUR 1,535 million in customer funds, and EUR 1,254 million in loans to customers (gross), and was operating 159 branches and had 2,455 employees. Millennium bim's net income in the three months ended 31 March 2014 was EUR 20.2 million compared with EUR 19.1 million for the three months ended 31 March 2013.

As at 31 December 2013, Millennium bim had EUR 2,125 million in total assets, EUR 1,586 million in customer funds, and EUR 1,231 million in loans to customers (gross), and was operating 157 branches and had 2,476 employees. Net income of Millennium bim reached EUR 85.5 million in 2013.

#### Angola

Banco Millennium Angola, SA ("**BMA**") was incorporated on 3 April 2006, as a result of the transformation of the BCP branch in Angola into a bank incorporated under the laws of the Republic of Angola. Since 2008, BMA has been focusing on contributing to the modernisation and development of the Angolan financial system by marketing innovative, personalised financial products and services designed to meet the financial needs and expectations of the various market segments.

As of 31 March 2014, BMA's shareholding structure comprises BCP Group with 50.1% of the BMA's share capital, Sonangol with 29.9% and BPA with 20% (15% owned by BPA and 5% owned by Global Pactum).

The principal strategic priorities in 2013 consisted of business expansion through the attraction of new customers, increased product penetration and reinforcement of BMA position in the Angolan financial market. Furthermore, the expansion of the commercial network and the offer of personalised and innovative products also continue to be priorities, as in previous years, with BMA offering its customers excellent services adapted to all market segments. Finally, the policy on the recruitment and training of Angolan employees, which has been developed since the beginning of the Bank's operations in Angola, will continue to be strengthened, together with risk management and monitoring procedures.

As of 31 May 2014, BMA had a market share in deposits of 3.2%, compared with 3.4% as at 31 December 2013 and 2.8% as at 31 December 2012. BMA's market share in loans to customers was 3.4% as at 31 May 2014 compared with 3.1% as at 31 December 2013 and 3.0% as at 31 December 2012, according to the Bank of Angola.

During the first six months of 2014 two additional branches were opened, resulting in a total of 84 branches of the Retail network.

The number of customers amounted to 311,000 as of 31 March 2014, having grown by 25% compared with the previous year. Aiming to increase the number of deposit customers, BMA launched various term deposits and Junior Saving Plans, among other saving products.

As at 31 March 2014, BMA had EUR 1,691 million in total assets, EUR 1,272 in customer funds and EUR 693 million in loans to customers (gross), as compared to EUR 494 million as at 31 March 2013, and was operating 82 branches and had 1,062 employees as compared with 1,029 employees as at 31 March 2013. BMA's net income in the three months ended 31 March 2014 was EUR 11.2 million, as compared with EUR 6.2 million in 31 March 2014.

As at 31 December 2013, BMA had EUR 1,651 million in total assets, EUR 1,219 million in customer funds and EUR 644 million in loans to customers (gross), and was operating 82 branches and had 1,075 employees. BMA ended 2013 with a net income of EUR 40.8 million.

#### Macao

In 2010, Millennium bcp began operating its first fully licensed (on-shore) branch in Macao. This branch is focused on establishing an international platform for business between China, Europe, Brazil and Portuguese-speaking African countries. The transformation of the branch from an off-shore branch to an on-shore branch has also enabled the Bank to work with the resident population.

From 2013 onwards, the main strategic guidelines for increasing the Bank's presence in the local economy aimed at strengthening balance sheet funds from exclusively local sources and extending the offer of services to the Bank's Companies network through the Macao platform, with special focus on export-driven companies.

As at 31 March 2014, loans to customers and customer funds amounted to EUR 812 million and EUR 1,350 million, respectively. Net income increased 15.9%, year-on year, to EUR 5.0 million.

In 2013, customer deposits showed a slight reduction to EUR 1,093 million and loans to customers (net) contracted by 11% (in local currency) to EUR 873 million, compared to 2012. Net income increased by 15% (in local currency) compared with 2012, partly due to the favourable evolution of net interest income, which benefited from the reduction of cost of customer deposits and higher interest from loans to customers, and from a reversal in loan impairment.

#### Switzerland

Millennium bcp Banque Privée, incorporated in Switzerland in 2003, is a private banking platform offering services to the Group's customers with high net worth, namely on matters of discretionary management, financial advice and services for the execution of orders. The economic adverse circumstances since 2010 in the main strategic markets of the Bank have had a negative impact in the assets under management of Millennium bcp Banque Privée.

At the end of 2013 Millennium bcp Banque Privée recorded an amount of EUR 408 million in total assets, EUR 221 million in credit (gross) to customers and EUR 2,275 million in total customer funds, operating with a branch and 67 employees. For the year ended 31 December 2013, Millennium bcp Banque Privée in Switzerland recorded a net income of EUR 6.1 million.

For the three months ended 31 March 2014, Millennium bcp Banque Privée in Switzerland recorded an increase in net income by 4.3% to EUR 1.8 million, from EUR 1.7 million for the three months ended 31 March 2013, due to higher commissions. This increase was partially offset by increased operating costs.

The total assets amounted to EUR 479 million and total customer funds amounted to EUR 2,290 million, an increase of 5.3%, compared with 31 March 2013. Loans to customers (gross) stood at EUR 202 million, showing a reduction of 29.9% when compared with the amount of 31 March 2014.

#### Cayman Islands

Millennium bcp Bank & Trust, with head offices in the Cayman Islands, holds a category "B" banking licence and provides international banking services to customers that are not residents of Portugal. The Cayman Islands are considered a co-operating jurisdiction by the Bank of Portugal. In addition to the agreements with other jurisdictions, the Cayman Islands have signed an agreement to exchange information with the Portuguese Republic.

In 2013, Millennium bcp Bank & Trust's net income stood at EUR 11.4 million. Millennium bcp Bank & Trust recorded at the end of 2013, an amount of total assets of EUR 1,458 million, EUR 61 million of credit (gross) to customers and total customer funds of EUR 695 million, operating with 15 employees. In 2013, the Bank had a net income of EUR 11.4 million.

For the three months ended 31 March 2014, Millennium bcp Bank & Trust in the Cayman Islands recorded a decrease in net income by 19.5% to EUR 2.6 million, from EUR 3.2 million for the three months ended 31 March 2013. This result was due to lower net interest income, which was only partly offset by an increase in commissions and positive foreign exchange results, and a decrease in operating costs and both impairment and provisions charges.

The total customer funds amounted to EUR 622 million in 31 March 2014, a decrease of 13.3% from the amount registered in 31 March 2013. Loans to customers (gross) stood at EUR 53 million, a 63.8% decrease from the same period in 2013.

#### Other

The Bank also has 10 representative offices in Brazil, China, Germany, the United Kingdom, South Africa, Switzerland and Venezuela, five commercial protocols in Canada, the United States, Spain, France and Luxembourg and one commercial promoter in Australia.

### **International Partnerships**

Since 1991, the Group has also developed an internationalisation strategy based on establishing co-operation agreements with foreign partners. The Group's current foreign partners are Banco Sabadell, Achmea B.V. (formerly Eureka B.V.), Ageas, Sonangol and Banco Privado Atlântico. Some of these partnerships involve, among other things, joint ventures, cross-shareholdings and reciprocal board representation.

#### *Banco Sabadell*

In March 2000, the Group announced the terms of a strategic partnership agreement with Banco Sabadell of Spain, seeking the development of joint initiatives in finance-related fields of mutual interest. In the first half of 2005, an agreement was reached to reinforce the offer of products and services common to the Bank and Banco Sabadell, notably in corporate loans and in innovating services for individuals. As a result of the agreement, the Bank's clients can use the retail and corporate networks of Banco Sabadell in Spain and vice versa for Banco Sabadell's clients in Portugal. The Bank sold its 2.75% shareholding in Banco Sabadell to the Pension Fund. On December 2013, Banco Sabadell held 4.27% of the share capital of the Bank.

#### *Achmea B.V. (formerly Eureka B.V.)*

In 1991, the Group established strategic partnerships with two significant European insurance groups, Friends Provident and AVCB Averro Centraal Beheer. In 1992, Eureka Group was established as a pan-European insurance group, as a result of the association between the insurance groups Friends Provident, from the United Kingdom; AVCB Averro Centraal Beheer, from the Netherlands; Wasa, from Sweden; and the Danish financial group Topdanmark. In 1993, the Group, through its insurance holding Seguros e Pensões Gere, SGPS, S.A. became the fifth partner in this pan-European strategic insurance alliance. Eureka Group's holding in the Bank is currently 2.52% of the share capital and inherent voting rights, held by Eureka B.V., following the sale during 2009 of a 4.55% holding in the Bank's share capital. Also, the total return swap entered into by Eureka B.V. with JPMorgan Chase Bank NA on 5 September 2007 was fully unwound and therefore the voting rights attached to the previous additional 2.88% stake in the Bank should no longer be attributed to Eureka B.V. Through its asset management subsidiary F&C, Eureka B.V. has established an exclusive distribution agreement affecting its asset management products through the Millennium bcp banking network in Portugal.

On 31 December 2010, the Bank announced that Bitalpart BV, a wholly-owned subsidiary of the Bank, had agreed on that date to sell a minority shareholding corresponding to 2.7% of the share capital of Eureka B.V. to the pension fund of the BCP Group.

#### *Ageas*

In 2005, the Group and Fortis (currently, Ageas) established a joint venture for bancassurance business, through the insurance company Millennium bcp Fortis (currently, Millenniumbcp Ageas). The Group holds 49% of Millenniumbcp Ageas' share capital, while the remaining 51% is held by Ageas Insurance. In September 2005, Ageas increased its shareholding in the Bank to 4.99%. As a consequence of the two Bank share capital increases that took place in 2006, Ageas' shareholding in the Bank decreased to 4.94%. In September 2007, Ageas disposed of its qualifying holding in the share capital of the Bank.

On 26 May 2014, the Bank announced that, as part of a priority in the Strategic Plan to refocus on core activities, it had agreed with the international insurance group Ageas to partially recast the strategic partnership agreements entered into in 2004. These include the sale of its 49% interest in the (currently jointly owned) insurance companies that operate exclusively in the non-life insurance business, i.e. "Ocidental—Companhia Portuguesa de Seguros, S.A." and "Médic—Companhia Portuguesa de Seguros de Saúde, S.A.", for a base price of EUR 122.5 million, subject to a medium term performance adjustment. Completion of the transaction is subject to, among others, regulatory approval from the supervisory authorities. In 2013, the Non-Life activity posted gross inflows of

EUR 251 million and a net profit of EUR 12 million. It was further announced that Ageas and BCP had also agreed that the joint venture will upstream excess capital totalling EUR 290 million in 2014 to its shareholders.

#### *Sonangol and Banco Privado Atlántico*

Sonangol and BPA acquired 47.3% of Banco Millennium Angola's share capital through a capital increase, subscribed by the acquirers, in cash. BMA acquired 10% of the share capital of BPA. According to the terms of the agreement, BMA continues to be a subsidiary company of BCP but would benefit from having important minority shareholders, with the corresponding shareholder influence and co-operation potential. Sonangol has acquired a 4.98% shareholding in the Bank in 2007 and held 19.44% of the Bank on 31 December 2013.

### **Significant Developments in 2013**

On 22 April the Bank entered into definitive agreements with Piraeus Bank SA regarding: (i) the sale to Piraeus Bank SA of the entire share capital of Millennium Bank in Greece ("**MBG**") and, (ii) the investment by the Bank in the forthcoming capital increase of Piraeus Bank SA.

The signing of these agreements marked the successful conclusion of the negotiations between the Bank and Piraeus Bank SA following the announcement on 6 February 2013 that the parties had entered into exclusive discussions.

This agreement falls within the framework that has been defined by the Bank of Greece and the Hellenic Financial Stability Fund ("**HFSF**") aiming at the restructuring of the Greek banking system and strengthening its financial stability. The terms and conditions of the transactions have been approved by the HFSF.

The transactions were completed on 19 June 2013.

The key elements of the sale transaction were the following:

- The aggregate consideration for the sale of the share capital of MBG was agreed at EUR 1 million;
- Pre closing recapitalisation of MBG by the Bank for EUR 400 million, in line with the requirement of Bank of Greece, through the conversion of approximately EUR 261 million of the existing intercompany funding, in addition to the EUR 139 million already contributed by the Bank into MBG in December 2012. Under this scope, the Bank has already booked in 2012 Financial Statements, an impairment in the amount of EUR 427 million; and
- Piraeus Bank SA to ensure reimbursement by MBG of all the remaining intra-group funding currently provided by the Bank to MBG in two tranches. The first tranche, in the amount of approximately EUR 650 million, was paid on the date of closing of the sale transaction, and the second one, of approximately EUR 250 million will be paid within six months from that date;
- No asset transfer from MBG to the Bank as part of the transaction.

The key elements of the investment transaction were the following:

- The Bank invested EUR 400 million in the rights issue of Piraeus Bank SA within the framework of recapitalisation of Greek banks with the participation of the HFSF, i.e. at the same price as HFSF, leading to a minority stake in Piraeus Bank SA's share capital.
- The Bank and Piraeus Bank SA entered into an agreement providing that Piraeus Bank SA undertakes to assist the Bank in the orderly disposal over time of its shareholding in Piraeus Bank SA, subject to the Bank undertaking certain limitations, including a six month lock up period and certain temporary voting and orderly disposal rules for the period where HFSF is also restricted on voting; and
- The Bank's minority investment in the share capital of Piraeus Bank SA will not be consolidated.

The transaction enabled the Bank to deconsolidate circa EUR 4,000,000,000 of RWA of Millennium Bank as of 31 December 2012. There will be no intercompany funding six months after closing. In consequence, after this date the impact on RWA will solely be the investment in shares in Piraeus Bank SA.

On 24 July 2013, the Bank informed that:

1. An agreement was reached between the European Commission and the Portuguese authorities regarding BCP's restructuring plan;
2. The plan would include an improvement of profitability in Portugal through further significant efforts to reduce costs; and
3. Formal approval of the agreement was expected over the following weeks, when the main points of the plan would be published.

The Bank also informed that the plan ensures a robust business model, allowing the bank to offer appropriate support to the Portuguese economy.

On 30 August 2013, the Bank informed that in July, due to professional reasons, Mr. Pedro Maria Calainho Teixeira Duarte presented his resignation to the position of Vice-Chairperson of the Board of Directors.

The Bank also informed that such resignation is effected since the end of the month of August.

On 2 September 2013, the Bank informed that the Directorate-General for Competition at European Commission has announced the formal decision of the agreement with the Portuguese authorities concerning the restructuring plan for the Bank.

The agreement concludes that BCP's restructuring plan complies with the rules of the European Union regarding State aid, showing the Bank is viable without continued State support.

The Bank also informed that the focus on core activities will enable the Bank to continue to support the economy and families, pursuing a strategy already in place. The plan reinforces that strategy and also foresees:

- the reinforcement of financing to the economy and full compliance with regulatory requirements for capital levels;
- the strategic focus on the activity through the separation of assets considered core and non-core (securities backed lending, highly-leveraged secured lending, historical subsidized mortgages and lending to certain segments linked to construction, football clubs and real estate development), aiming for a phased reduction of non-core assets;
- balance sheet deleveraging, with the reduction of non-core assets and the definition of a LTD ratio of 120%, from 2015 onward;
- the improvement of operational efficiency to achieve a minimum ROE of 10% and a maximum CTI (cost to income) of 50%, both from 2016 onward;
- the implementation of a new approach to the asset management business by adopting an open architecture distribution model, allowing a broader range of investment options for customers; and
- the continuation of the adjustment process of its presence in the domestic market, notably by optimising the number of branches and organisational areas of business support, and continuing to pursue the human resources policies that help to adjust the current staff levels to the effective demand for banking services. In particular, the agreement implies a reduction of around 25% on staff-related costs from December 2012 to December 2015 (it should be stressed that a significant portion of this effort has already been carried out in 2012 and in the first half of 2013).



The Bank also informed that, concerning international activities, the plan highlights the importance of the strategic operations in Angola and Mozambique, which are major contributors to the strategy to support companies and the Group's income generation. Bank Millennium in Poland is also considered as a core operation, and there is no commitment to sell it unless the amount of the CoCos still to be paid in December 2016 exceeds EUR 700 million. Still within the scope of the international activities, the plan foresees the sale of the Bank's operation in Romania in the mid-term, as well as the sale of the shareholding in Piraeus Bank SA, acquired as part of the sale of the operation of Millennium Bank in Greece.

On 18 October 2013, the Bank informed that due to professional reasons, Mr. António Manuel Costeira Faustino presented his resignation from the position of member of the Board of Directors.

The Bank also informed that such resignation is effected since the end of the month of October.

On 29 October 2013, the Bank informed that BCP Investment B.V., a wholly owned subsidiary of Banco Comercial Português, S.A. ("**BCP**" and together the "**Seller**"), launched an accelerated placement to institutional investors only (the "**Placement**") up to 235,294,118 ordinary shares (the "**Shares**") of Piraeus Bank SA and 235,294,118 warrants to subscribe for ordinary shares of Piraeus Bank SA (the "**Warrants**") subject to demand, price and market conditions. This represented the total shareholding that BCP holds in Piraeus Bank SA. The Warrants were issued by the HFSF. As announced by BCP in their "Restructuring Plan" (on 2 September 2013), this shareholding remained non-strategic for the Seller and their intention had been to sell the entire stake.

On 30 October 2013, BCP announced the pricing of the Placement of Shares and Warrants at a combined unit price of EUR 2.10 implying a price of EUR 1.50 per ordinary share and EUR 0.60 per warrant. EUR 1.50 per ordinary share represented a discount of 8.5% to the previous closing market price, in line with the average price of the previous 30 stock market sessions.

BCP also informed that gross proceeds raised by the Seller from the offer were expected to be EUR 494 million and that the Bank does not retain shares or warrants in Piraeus Bank SA, after the Placement.

### **Recent Developments in 2014**

On 26 May 2014, BCP informed that, as part of a process aiming to refocus on core activities, defined as a priority in the Strategic Plan, it has agreed with the international insurance group Ageas a partial recast of the strategic partnership agreements entered into in 2004, which included the sale of its 49% interest in the (at the time jointly owned) insurance companies that operate exclusively in the non-life insurance business, i.e. "Ocidental – Companhia Portuguesa de Seguros, S.A." and "Médicis – Companhia Portuguesa de Seguros de Saúde, S.A.", subject to regulatory approval from the supervisory authorities, for a base price of EUR 122.5 million, subject to a medium term performance adjustment. In 2013, the non-life activity posted gross inflows of EUR 251 million and a net profit of EUR 12 million.

BCP also informed that the partners (Ageas and the Bank) have also agreed that the joint venture will upstream excess capital totalling EUR 290 million in 2014 to its shareholders.

Following the sale, Millennium bcp will continue, now in tandem with other banking and non-banking distribution channels, to distribute non-life insurance products from "Ocidental – Companhia Portuguesa de Seguros, S.A." and "Médicis – Companhia Portuguesa de Seguros de Saúde, S.A.".

The impact of these transactions, with reference to the consolidated accounts as at 31 March 2014, was estimated at approximately + EUR 72 million on net income, from the resulting capital gain, at +17 basis points on BCP Group's Core Tier 1 ratio (according to the Bank of Portugal rules), and at +34 basis points on BCP Group's CET 1 (according to CRD IV/CRR phase-in).

On 27 May 2014, BCP informed that it has repaid, on that date, EUR 400 million of CoCos issued by the Portuguese State, after having received the authorisation from the Bank of Portugal, based on the regulator's analysis of the evolution of BCP's capital ratios.

BCP also informed that, as a result of this repayment, and considering the positive impact of the sale of BCP's Non-Life insurance business communicated the day before to the market, the Core Tier 1 ratio pro forma for 31 March 2014 would be 13.2% according to Bank of Portugal rules, while the CET 1 ratio pro forma at the same date would be 11.7% according to CRD IV/CRR phase-in criteria, above the 10% and 7% requirements, respectively.

Lastly, BCP affirmed that, with this repayment, it has complied with its repayment plan for CoCos in 2014, confirming the execution capability of the Strategic Plan.

On 30 May 2014, BCP informed that it had concluded on that day, with 45.48% of the share capital represented, the Annual General Meeting of Shareholders, with the following resolutions:

**Item One** – Approval of the individual and consolidated annual reports, balance sheet and financial statements for 2013;

**Item Two** – Approval of the transfer of the net losses registered in the individual balance sheet to “Retained Earnings”;

**Item Three** – Approval of a vote of trust and praise addressed to the Board of Directors, Executive Committee and Audit Committee and each one of their members, as well as to the Chartered Accountant;

**Item Four** – Approval of the proposal for reducing the number of members of the Remuneration and Welfare Board in the 2014/2016 term-of-office to four and the election of José Manuel Archer Galvão Teles as Chairman of that board;

**Item Five** – Approval of the proposal for reducing the number of members of the Board of Directors from 22 to 20;

**Item Six** – Approval of the current members of the Board of the General Meeting of Shareholders for the exercise of functions during the term of office 2014/2016;

**Item Seven** – Approval of the election as Effective and Alternate Chartered Accountant of the Bank to exercise functions during the term of the office 2014/2016;

**Item Eight** – Approval of the election as External Auditor of the Bank to exercise functions during term of the office 2014/2016;

**Item Nine** – Approval of the remuneration policy for the members of the Board of Directors, including the Executive Committee;

**Item Ten** – Approval of the reformulation the items of own capital by reducing the share capital; and

**Item Eleven** – Approval of the acquisition and sale of own shares and bonds.

Following the approval of Item Ten (reduction of the share capital), the authorised, issued and fully paid up share capital of the Bank is EUR 1,465,000,000 divided into 19,707,167,060 shares with no nominal value.

On 24 June 2014, BCP announced that the Board of Directors of Millennium bcp had resolved, with the favourable prior opinion of the Audit Committee, to increase the share capital of the Bank by approximately EUR 2,250 million, through an offering of subscription rights to subscribe for 34,487,542,355 new ordinary shares, without nominal value, to existing holders of the Bank's ordinary shares, and other investors who acquire subscription rights (the “**Rights Offering**”).

The subscription price was set at EUR 0.065 per share at a ratio of seven new ordinary shares for four ordinary shares held. The subscription price represented a discount of approximately 34% to the theoretical ex-rights price based on the closing price of Millennium bcp shares on Euronext Lisbon on 24 June 2014.

Each holder of the Bank's ordinary shares received one subscription right for each ordinary share it owns.

Millennium bcp also informed that it intended to commence the Rights Offering as soon as practicable after receiving approval from the Portuguese Securities and Exchange Commission (CMVM) and the publication of a notice for the exercise of subscription rights and a prospectus, in accordance with applicable law.

Millennium bcp affirmed that it intended to use the proceeds from the Rights Offering to repay State-subscribed hybrid capital instruments in the amount of EUR 1,850 million, leaving EUR 750 million outstanding, which Millennium bcp intends to reimburse no later than the beginning of 2016, subject to regulatory approval.

The completion of the capital increase approved will also allow the Bank to strengthen its capital ratios, namely the CET 1 (CET 1) ratio according to the fully implemented CRD IV/CRR criteria.

As was public knowledge, a law proposal on the deferred tax assets (DTA) was approved by the Portuguese Council of Ministers on 5 June 2014, which will still be subject to approval by the Portuguese Parliament, which scheme is different from the Spanish and Italian terms. Assuming a conservative interpretation (although not definitive) of this law proposal and following the rights issue of approximately EUR 2,250 million contemplated, the reimbursement of State-subscribed hybrid capital instruments of EUR 1,850 million contemplated and the impact of recent transactions already disclosed to the market (the sale of the Bank's Non-Life Insurance Business, the reimbursement of EUR 400 million of State-subscribed hybrid capital instruments and the recent synthetic securitisation transaction), the Bank's fully implemented CET 1 ratio is expected to stand at 9.0% as of 31 March 2014.

Following this approval, Mr. Nuno Amado (CEO of the Bank) stated: *"The planned rights issue is part of the Bank's ambitious 2017 strategic plan, which was approved by the European Commission in 2013. Raising approximately EUR 2,250 million in the offering will allow us to materially accelerate the repayment schedule of the State-subscribed hybrid capital instruments, which is expected to generate material savings on interest expense and have a further positive impact on the Bank's internal capital generation capacity, and enhancing the capital mix and the capital ratios. We believe the Rights Offering also provides the Bank's investors with additional comfort regarding the full repayment of all of our State-subscribed hybrid capital instruments, and will allow the Bank to refocus on the franchise development, supporting the economy and returning any future excess capital to our shareholders."*

In connection with the Rights Offering, the Bank has entered into an underwriting agreement with a syndicate of banks, governed by English law, pursuant to which the banks have agreed, severally and not jointly, to procure subscribers for, or failing which to subscribe for, any remaining offered shares, such subscription, subject to certain conditions, in their own name and/or in the name and on behalf of other institutional investors.

BCP informed that Deutsche Bank and J.P. Morgan were acting as Joint Global Coordinators and Joint Bookrunners. Goldman Sachs International and UBS Investment Bank were acting as Joint Bookrunners.

BCP also affirmed that Credit Suisse and MEDIOBANCA were acting as Co-Bookrunners. BBVA, Banco Santander, Nomura and Société Générale Corporate & Investment Banking were acting as Co-Lead Managers.

The Board of Directors also approved the update of the Group's strategic plan, highlighting the following targets in or at the end of 2017:

- CET 1 ratio (according to CRD IV/CRR fully implemented criteria): > 10%;
- Return on Equity (ROE): approximately 15%;
- Net loans to on-balance-sheet customer funds: < 100%;
- Cost-to-income ratio: approximately 40%;
- Operating costs in Portugal: approximately EUR 660 million; and
- Cost of risk: < 100 basis points.

BCP announced that these strategic targets were subject to risks related notably to regulatory conditions, market conditions and competition.

These decisions on the rights issue and the update of the strategic plan were unanimously approved by the Bank's Board of Directors.

On 22 July, the Bank announced the results of the share capital increase: 34,082,211,308 ordinary shares were subscribed to pursuant to the exercise of subscription rights, representing about 98.8% of the total number of ordinary shares to be issued pursuant to the Rights Offering. The remaining 405,331,047 ordinary shares were available to satisfy oversubscription orders. Oversubscription orders totalled 9,243,741,767 ordinary shares, which exceeded about 21.8 times the amount available. The total demand registered in this capital increase accounted for approximately 125.6% of the amount of the Rights Offering.

The transaction represented an important step in order to allow the total reimbursement of EUR 2,250 million of CoCos to the Portuguese State (of which EUR 400 million occurred in May and EUR 1,850 million is expected to be authorised by the Bank of Portugal in third quarter of 2014).

On 24 July 2014, the Bank announced, in accordance with applicable legal provisions, that the share capital increase has been registered with the competent Commercial Registry Office on the date hereof. This share capital increase resulted in the issuance of 34,487,542,355 ordinary, registered and book-entry shares, without nominal value, with the issuance price and subscription price of EUR 0.065 each. These ordinary shares were offered to the shareholders of Millennium bcp for subscription through the exercise of their pre-emptive subscription rights as foreseen by law.

As such, the share capital of Millennium bcp is now of EUR 3,706,690,253.08, represented by 54,194,709,415 ordinary, book-entry shares without nominal value.

On 29 July 2014, the Bank informed that Standard & Poor's, in a rating action commentary released on 29 July 2014, announced that it has upgraded BCP's long-term counterparty credit rating from "B" to "B+", having affirmed the short-term rating at "B", and upgraded the stand-alone credit profile (SACP) from "b-" to "b", the senior unsecured debt from "B" to "B+" and the no deferrable dated subordinated debt from "CCC-" to "CCC".

According to Standard & Poor's, the current ratings upgrades reflected primarily the success of BCP's rights issue transaction, which reinforced the Bank's solvency position, providing a significant buffer that preserves a comfortable capital position, according to the parameters considered. In accordance with Standard & Poor's, the reimbursement of CoCos will contribute to the reduction of funding costs, allowing an improvement in the Bank's profitability of the Bank.

Standard & Poor's also said it did not encounter material set-backs that could affect its assessment of the stability of BCP's business and franchise.

On 30 July 2014, the Bank announced the assignment of the agreement with OTP Bank regarding the sale of the entire share capital of BMR. The transaction was subject to customary conditions, in particular to obtaining regulatory approvals.

The aggregate consideration for the sale of the share capital of BMR was agreed at EUR 39 million. On the date of closing of the sale transaction, OTP Bank will ensure full reimbursement to BCP of the intragroup funding currently provided by BCP to BMR, amounting to approximately EUR 150 million.

The impact of the transaction on the Bank's consolidated CET 1 ratio is estimated to be negligible, reflecting a EUR 34 million loss, for which a provision was charged to the consolidated profit and loss account for the first half of 2014, offset by a EUR 351 million release of risk-weighted assets, as already factored in the pro forma capital ratios recently reported as of 30 June 2014 (12.5% in accordance with phased-in criteria, 9.0% on a fully implemented basis).

### **C. Principal Markets and Competition**

The Portuguese banking market has become well-developed, including both strong domestic and foreign competitors. These competitors follow a multi-product, multi-channel and multi-client segmented approach, offering a broad range of services from retail products to investment banking coupled with sophisticated payment

capability. Foreign banks are present in the Portuguese market, particularly in areas such as corporate banking, asset management, private banking and brokerage services, though some groups offer universal banking services and offer traditional retail banking as well.

Domestic banking penetration levels rank favourably on a comparable basis and branch network and automated channels are widely disseminated across the country. There has been significant development of remote access to banking services (ATM, home banking, and mobile banking) together with market intelligence techniques enabling banks to accurately track customers' requirements and augment customer proximity. Cross-selling has benefited from the use of such techniques and has increased the proportion of banks' non-interest income over the years.

The growing maturity of the domestic market and globalisation trends led domestic banks to further develop their operations abroad, namely in countries with which Portugal had strong economic and historical relations. Hence, currently, the biggest domestic banking groups manage operations in European and African countries, which bear an increasing strategic relevance for their businesses.

The Portuguese Competition Authority ensures compliance with Portuguese competition rules, asserting regulatory powers over competition in all sectors of the economy, including regulated sectors in coordination with the relevant sector regulators. The Bank of Portugal is responsible for the prudential and market conduct supervision, ensuring the stability of the financial system as well as compliance with rules of conduct and transparency for banks' customers. National competition authorities and the European Commission have parallel competencies for enforcing European antitrust laws in close cooperation, and the European Commission imposes restrictions on aggressive commercial practices on recipients of State aid, such as the Bank. See *Risk Factors – Risks Relating to the Recapitalisation Plan and the Restructuring Plan of the Bank – The Restructuring Plan of the Bank approved by the European Commission has an associated execution risk and both the Restructuring Plan's success and the Bank's strategic autonomy depend on the ability to repay the hybrid instruments subscribed by the Portuguese State in the amount of EUR 3 billion.*

Technological progress, liberalisation, globalisation and the European integration process have resulted in increased financial intermediation through the years. Following the liberalisation process that began in the 1980s with the reprivatization of banks, the second half of the 1990s was characterised by reforms preparing for participation in the euro that took place in early 2000s, fostering strong movements of internationalisation and financial integration. Financial assets as a percentage of GDP roughly doubled in the period 1995-2012 to around 500% of GDP, with non-bank financial institutions recording slight gains in market share (Source: Bank of Portugal).

The deregulation and liberalisation process experienced by the Portuguese banking sector, including Eurozone participation, catalysed an increase in business and competition, particularly in the credit market. Customer loans and advances increased significantly in advance of the implementation of the euro and during the early years of economic convergence and integration within the single currency project (Source: Bank of Portugal). At the same time, the Portuguese banking system experienced a consolidation, which was driven by the need to achieve economies of scale and operating synergies. More recently, against the background of the financial instability beginning in the summer of 2007 and the subsequent euro periphery crisis, deleveraging and strategic repositioning took place. Some foreigner players reappraised their presence and business models and networks developed in Portugal. More recently, major Portuguese banks have rationalised their operating structures.

As at the end of 2013, 386 credit institutions, financial companies and payment institutions were registered in Portugal, of which 153 were banks (including 89 from the mutual agricultural credit banks and 20 branches of banks in other Member States) (Source: Bank of Portugal). Financial institutions with head offices in the European Economic Area providing cross-border services amounted to nearly 700 (Source: Bank of Portugal). Common indicators do not indicate levels of concentration significantly divergent from those of the Eurozone. For instance, as of 2012, the total asset share of the five largest credit institutions constituted 70% for Portugal, which is above Germany's 33% but below the Netherlands' 82% or Finland's 79% (the median for the EU27 is 58%) (Source: European Central Bank).

In Portugal, the Bank competes primarily with the four other major Portuguese banking groups: Caixa Geral de Depósitos, Banco Espírito Santo, Banco Santander Totta, and BPI. BCP's extensive distribution network, which is the second largest, has enabled it to maintain a reference position among its competitors.

According to system data from the Bank of Portugal, at the end of 31 March 2014, BCP had a market share of 19.2% of loans to customers (gross) and 19.3% of deposits in its domestic market.

The following table shows the development of the percentage of the Bank's market share in Portugal in terms of loans to customers as at 31 December 2013, 2012 and 2011:

	<i>As at 31 December</i>		
	<u>2013</u>	<u>2012</u>	<u>2011</u>
Loans to customers.....	19%	19%	20%

Sources: BCP, the Bank of Portugal

The following table shows the number and geographic location of the Bank's branches as at 31 March 2014 and as at 31 December 2013, 2012 and 2011:

	<i>As at 31 March</i>	<i>As at 31 December</i>		
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Portugal	<u>748</u>	<u>774</u>	<u>839</u>	<u>885</u>
Bank Millennium in Poland	435	439	447	451
Millennium bim in Mozambique	159	157	151	138
Banco Millennium Angola	82	82	76	61
Millennium Bank in Greece	0	0	120	120
Banca Millennium in Romania	56	65	65	66
Millennium Banque Privée in Switzerland	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
Total in the International activity	<u>733</u>	<u>744</u>	<u>860</u>	<u>837</u>
	<u>1,481</u>	<u>1,518</u>	<u>1,699</u>	<u>1,722</u>

The following table illustrates the competitive environment in Portugal for the three years ended 31 December 2012, 2011 and 2010:

	<i>As at 31 December</i>		
	<u>2012</u>	<u>2011</u>	<u>2010</u>
Number of banks <sup>(1)</sup>	34	36	37
Number of branches	5,932	6,080	6,232
Population (thousands)	10,487	10,562	10,637
Inhabitants per branch	1,768	1,737	1,707
Branches per bank	174	169	168

Sources: Portuguese Banking Association and Portugal's National Statistics Institute

(1) Banks associated with the Portuguese Banking Association.

The Bank is also subject to strong competition in the international markets in which it operates. BCP had the fifth highest weighting (49%) among the peripheral banks (which include banks in Greece, Ireland, Italy, Portugal and Spain) in terms of international operations as part of consolidated banking income as at December 2013 (Source: Annual Reports of the banks).

The banking sector in Poland is characterised by a relatively low concentration sustaining strong competitive pressure. The share of the five largest banks in the assets of the banking sector remains one of the lowest in the EU (Source: European Central Bank). However, significant opportunities have led to increased

competition in recent years, driven by privatisation and consolidation initiatives. In addition, in Poland, EU integration has created strong incentives for the cross-border provision of financial services and for cross-border mergers, which have resulted in significantly increased competition from foreign banks. As at May 2014, Bank Millennium's market share in Poland, according to the Bank's estimates derived from data published by the National Bank of Poland, was 4.8% of loans to customers (gross) and 5.1% of deposits.

In Mozambique, Millennium bim is the market leader with a market share of 31.6% of loans to customers and 29.4% of deposits in April 2014, according to the Bank of Mozambique. Currently, 18 banks operate in Mozambique and management expects increasing competition from foreign banks, particularly those based in South Africa and Portugal (Source: Bank of Mozambique).

In Angola, there are 24 licensed commercial banks and five awaiting approval, of which the five largest account for approximately 75% of total assets, though on a decreasing trend (Source: Bank of Angola and Deloitte). BMA's main competitors have ambitious business expansion plans currently underway. Additionally, there has been an increase in the number of players in the Angolan retail, corporate and investment banking segments since 2008. For example, Banco Totta and Caixa Geral de Depósitos entered into a strategic partnership in Angola, and three new licences were issued in 2008 for the following banks: Finibanco, Banco Quantum Capital and Standard Bank. There are also five banks waiting to start operations in 2014: Ecobank, Standard Chartered and three new local banks. At the same time, the consolidation between small and mid-sized banks started in 2014 with the announcement of the merger between Banco Privado Atlântico and VTB Africa.

According to the Bank of Angola, BMA's market share in Angola as at 31 May 2014, was 3.4% of loans to customers and 3.2% of deposits. The bank is going through a period of rapid growth with loans increasing by 32.6% and deposits by 44.9% in 2013.

### **Third party information**

Information sourced from the Bank of Portugal, Portuguese Banking Association ("*Associação Portuguesa de Bancos*"), the Portugal's National Statistics Institute ("*Instituto Nacional de Estatística*"), the National Bank of Poland, the Bank of Mozambique, the Bank of Angola and from other sources mentioned in this Offering Circular has been accurately reproduced and, so far as the Bank is aware and is able to ascertain from information published by such entities, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Where information from third parties is referenced in this Offering Circular, the source of the information is identified alongside each statement.

### **D. Trends Information**

Continued efforts to adjust imbalances over decades, including the structural correction of public finances and external accounts and reallocation of resources towards the tradable goods and services sectors, are an essential condition for the Portuguese economy to regain full access to market funding but may significantly constrain the Portuguese economy in 2014.

The Portuguese economy faces low inflationary pressures, reflecting weak domestic demand, high unemployment, wage moderation, and a fall in prices of raw materials and import prices. Recent indicators suggest that a gradual process of economic recovery is underway; projections for 2014 from various entities (the Portuguese government, the Bank of Portugal, IMF and the Organisation for Economic Co-Operation and Development) show a moderate recovery in 2014. However, there remains uncertainty about the possible impact of new austerity measures on disposable income and domestic demand contained in the state budget for 2014.

The economic recession, reduction in disposable income, the increase in unemployment, and rising corporate defaults have resulted in the deterioration of the quality of the loan portfolio of Portuguese banks. The ratio of credit risk will continue to rise, more in loans to companies and less in mortgage loans. Despite the increase in credit risk ratio, there is a trend towards a reduction of cost of risk, as there are fewer new entries net of recoveries, implying fewer impairment charges.

The volumes in loans and deposits of Portuguese banks and in particular of BCP have been falling based on publicly available data, amid deleveraging of non-financial sectors of the economy, leading to lower demand for credit. In parallel, deposits have been increasing (Source: Bank of Portugal), reflecting the confidence of customers in Portuguese banks, an increase in precautionary savings, due to future uncertainties, and the conversion of off-balance sheet customer funds into deposits, reflecting a reduction in clients risk. As a result, the commercial gap has been narrowing gradually, leading to a situation where the credit is almost entirely funded by on-balance sheet customer funds, thereby reducing dependence on the ECB and wholesale funds markets and improving the liquidity position of BCP.

Although BCP expects a progressive opening of International Money Market and financial markets, the Portuguese banks' access to Eurosystem funding is expected to be above the euro area average in 2014. Once the constraints that prevent the normal functioning of the markets are overcome, a progressive reduction in the use of ECB funding is expected, offset by debt issuances in the wholesale funds market. BCP projects that it will issue EUR 2.5 billion on average per year during the 2014-17 period, which will be used to reduce dependence on ECB funding.

The liquidity position of Portuguese banks has benefited from the actions of the ECB, notably the cut in reference rates and the granting of funds at a fixed rate and full allotment adopted for Eurosystem refinancing operations, adding long-term value to refinancing operations and measures affecting collateral eligibility rules and providing the banks with flexibility to manage their liquidity needs. The withdrawal of these unconventional monetary policies should proceed gradually and predictably, to the extent that market functioning normalises.

The profitability of Portuguese banks is expected to continue to be depressed in 2014, reflecting lower net interest income and a negative effect in terms of business volumes and the evolution of impairments (Source: Bank of Portugal). Current low levels of interest rates affect the banks' profitability, despite improvements in terms of impairments. The ability to generate capital remains a major challenge to the banking business in the medium term. Although BCP is taking steps to reach its objective of approaching breakeven in Portugal in the second half of 2014, its consolidated results should be constrained by low interest rates, reduced volumes, the cost of hybrid instruments, the cost of liability operations management conducted in 2011 (that in 2013 stood at EUR 131.9 million, net of taxes) and higher impairment charges, partially offset by lower spreads on term deposits, carry trade of sovereign debt securities, results of international operations and cutting costs through further reductions in the number of branches and employees.

Basel III rules that came in force in 2014 will require higher capital requirements and a wider range of risk coverage. However, there is a transition period to the new regulatory requirements that will allow this transition to occur smoothly.

The new Basel III capital regulatory framework, implemented in the EU through the CRD IV/CRR, demands that tax credits of banks that depend on the use of future profits (in banking, "**deferred tax assets**") are deducted from their own funds, although banks can only book such taxes for which there is a guarantee of nearly full use or an economic value equal to its book value.

On 10 July 2014, the Portuguese Parliament approved a law on the special rules applicable to deferred tax assets, aiming to restore competitive conditions to domestic companies further to the approval of similar schemes in other European Union countries, such as Spain and Italy. The law has still not entered into force, as it is still pending promulgation and publication on the Portuguese Official Gazette.

The scheme that has now been approved shall apply to expenditures and negative equity variations accounted in tax periods beginning on or after 1 January 2015, as well as to deferred tax assets which are recorded in the annual accounts of the taxpayer for the taxation period preceding that date and to the part of expenditures and negative equity changes that are associated to them.

In order to ensure the strengthening of the capital structure of the companies that opt for the scheme that has now been approved, these entities shall mandatorily adopt certain measures aimed at reinforcing their capital, through the issuance of conversion rights tradable in the market.



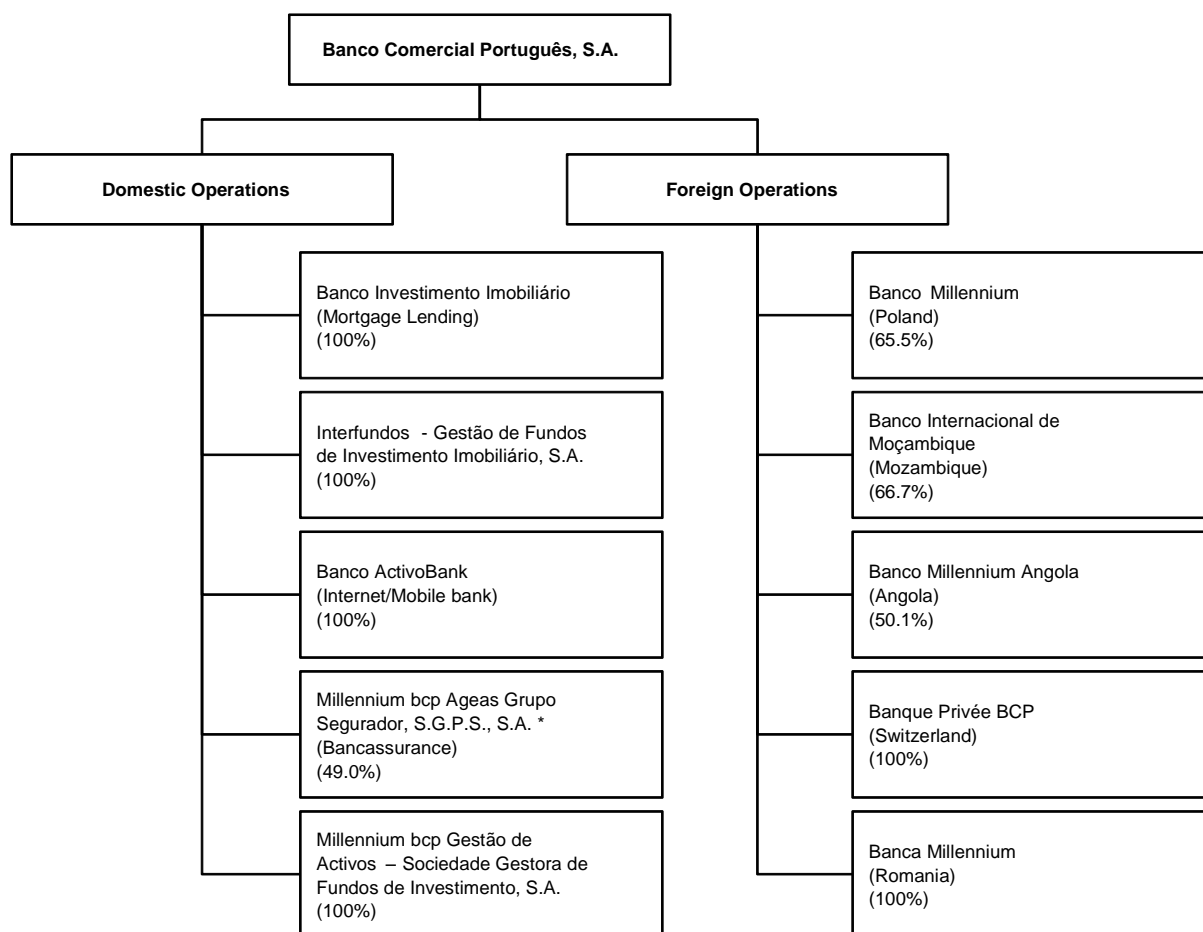
In accordance with the press release published on the website of the Portuguese Parliament (<http://www.parlamento.pt/ActividadeParlamentar/Paginas/DetalheIniciativa.aspx?BID=38542>), the approved legislation provides, subject to an optional adhesion regime and possible subsequent waiver thereto, that, under certain assumptions (annual negative net results and liquidation, insolvency or revocation of licence), the deferred tax assets generated from the non-deduction of costs and negative equity variations due to losses from loan impairments and from post-employment benefits or long-term employment benefits will be converted into tax credits. Tax credits will be offset against tax debts of the beneficiaries or immediately repayable by the Portuguese Republic, with the offset or reimbursed credits generating a special reserve corresponding to 110% of their amount. The offset and reimbursed credits are intended to be incorporated into the share capital, and rights of conversion into equity will be issued with reference to the market price of the shares and attributed for free to the Portuguese Republic. The shareholders at such date will have a right of acquisition of such conversion rights against the same reference price.

The implementation of the single supervisory mechanism under the Banking Union project will involve conducting a thorough review of the major banks by the ECB, covering about 85% of the banking system of the euro area, to reinforce confidence in the soundness and quality of banks' balance sheets in the euro area. This exercise includes three elements: risk assessment for supervisory purposes, analysis of asset quality in order to increase transparency about the exposure of banks, and a stress test in order to assess the resilience of banks' balance sheets under adverse scenarios. This exercise should be completed by the time the ECB assumes its supervisory role in November 2014. Following this exercise, the ECB will undertake a unique and comprehensive release of the results and any recommendations in terms of supervisory measures to be applied.

## **E. Organisational Structure**

### *The Bank and the Group*

The following diagram summarises the organisational structure of the principal subsidiaries of the Group on 31 March 2014:



In addition, the Bank's subsidiary, Millennium bcp-Prestação de Serviços ACE represents its associates regarding third parties, namely in the areas of IT, operational, administrative and procurement. The Bank is, directly or indirectly, the ultimate holding company of all the companies in the Group and is not dependent upon other entities within the Group. However, being the ultimate holding company of the Group the activities developed by the other members of the Group have an impact on the Bank.

#### *Ownership and Control*

The Bank is not aware of any shareholder or group of connected shareholders who directly or indirectly control the Bank.

#### *Significant Subsidiaries*

The following is a list of the main subsidiaries of the Bank at 31 March 2014:

<b><i>Subsidiary companies</i></b>	<b><i>Head Office</i></b>	<b><i>Activity</i></b>	<b><i>% held by the Group</i></b>	<b><i>% held by the Bank</i></b>
Banco de Investimento Imobiliário, S.A. ....	Lisbon	Banking	100.0	100.0
Banco ActivoBank, S.A. ....	Lisbon	Banking	100.0	–
Banca Millennium S.A. ....	Bucharest	Banking	100.0	–
Banco Millennium Angola, S.A. ....	Luanda	Banking	50.1	50.1
Bank Millennium, S.A. ....	Warsaw	Banking	65.5	65.5
Banque Privée BCP (Suisse) S.A. ....	Geneva	Banking	100.0	–
BIM - Banco Internacional de Moçambique, S.A. ....	Maputo	Banking	66.7	–

<i>Subsidiary companies</i>	<i>Head Office</i>	<i>Activity</i>	<i>% held by the Group</i>	<i>% held by the Bank</i>
Interfundos - Gestão de Fundos de .....		Investment fund		
Investimento Imobiliários, S.A. ....	Oeiras	management	100.0	100.0
Millennium bcp - Prestação .....	Lisbon	Services	94.3	78.0
de Serviços, A. C. E.....				
Millennium bcp Gestão de Activos - Sociedade .....		Investment fund		
Gestora de Fundos de Investimento, S.A. ....	Oeiras	management	100.0	100.0
Millenniumbcp Ageas Grupo Segurador, .....		Holding		
S.G.P.S., S.A. ....	Oeiras	company	49.0	—

## General information

So far as the Bank is aware, there are no arrangements in place, the operation of which may result in a change of control of the Bank.

The Bank has made no material investments since the date of the last published financial statements and the Bank has not made relevant firm commitments on future investments.

There have been no recent events particular to the Bank, which are to a material extent relevant to the evaluation of the Bank's solvency.

## F. Share Capital

The authorised, issued and fully paid up share capital of the Bank is EUR 3,706,690,253.08 divided into 54,194,709,415 shares with no nominal value. The shares are ordinary, issued in a dematerialised book-entry form (*escriturais*) and *nominativas*, and are integrated in a centralised system recognised under the Portuguese Securities Code (Central de Valores Mobiliários) managed by Interbolsa – Sociedade Gestora de Sistemas de Liquidação e de Sistemas Centralizados de Valores Mobiliários, S.A., with its registered office at Avenida da Boavista, 3433 to 4100 - 138 Oporto.

## G. Legislation regulating the activity of the Bank

The Bank is governed by European Union rules, banking and commercial Portuguese laws on limited liability companies (*sociedades anónimas*) – notably by the Portuguese Companies Code – and, in particular, the Banking Law (*Regime Geral das Instituições de Crédito e Sociedades Financeiras*), by the Portuguese Securities Code (*Código dos Valores Mobiliários*) and other complementary legislation.

In general terms, the Bank's activity as a credit institution is subject to the supervision of the Bank of Portugal, to the supervision of the Portuguese Securities Exchange Commission (*Comissão do Mercado de Valores Mobiliários*) as an issuer and a financial intermediary and to the supervision of the Portuguese Insurance Institute (*Instituto de Seguros de Portugal*) as the tied insurance intermediary.

## H. Management, Audit Committee and Statutory Auditor

The Bank adopted on 28 February 2012, a one-tiered corporate governance model, with one Board of Directors within which there are an Executive Committee, an Audit Committee, a Remunerations and Welfare Board and a Board for International Strategy, plus a Statutory Auditor.

### Board of Directors

According to the Articles of Association of the Bank, the Board of Directors is composed of a minimum of 17 and a maximum of 25 members, elected by the General Meeting.

20 members of the Board of Directors of the Bank, were elected at the General Meeting held on 28 February 2012, for the 2012/2014 term-of-office; on 4 December 2012, due to the Bank's recapitalisation operation, the State appointed Mr. Bernardo de Sá Braamcamp Sobral Sottomayor and Mr. José Rodrigues de Jesus as its representatives in the Board of Directors of the Bank during the period of the State aid for strengthening own funds. Two members of the Board of Directors presented their resignation from their positions and the General Meeting of 30 May 2014 resolved to reduce the number of members of the Board of Directors from 22 to 20, with deferred and conditional effect, i.e. producing effects on 31 December 2014 if, until that date a cooptation or a replacement by other via has not taken place. The reduction will be from 22 to 21 members if only one of the cooptations mentioned above occurs during that period.

Currently, the Board of Directors has the following members:

Chairman:	António Vítor Martins Monteiro
Vice-Chairmen:	Carlos José da Silva Nuno Manuel da Silva Amado
Members:	Álvaro Roque de Pinho Bissaia Barreto André Luiz Gomes António Henriques de Pinho Cardão António Luís Guerra Nunes Mexia Bernardo de Sá Braamcamp Sobral Sottomayor César Paxi Manuel João Pedro Jaime de Macedo Santos Bastos João Bernardo Bastos Mendes Resende João Manuel de Matos Loureiro José Guilherme Xavier de Basto José Jacinto Iglésias Soares José Rodrigues de Jesus Luís Maria França de Castro Pereira Coutinho Maria da Conceição Mota Soares de Oliveira Callé Lucas Miguel de Campos Pereira de Bragança Miguel Maya Dias Pinheiro Rui Manuel da Silva Teixeira

Positions held outside the Group by the Members of the Board of Directors that are relevant to the Group:

<b>Name</b>	<b>Position</b>	<b>Company</b>
<b>António Vítor Martins Monteiro</b>	Non-executive member of the Board of Directors	Banco Privado do Atlântico – Angola
	Member of the Board of Directors	Banco Sabadell in representation of BCP, S.A.
	Non-executive member of the Board of Directors	SOCO International, Plc
	Chairman of the Board of Curators	Luso-Brazilian Foundation
	Chairman of the Advisory Council	Gulbenkian Partners for Development Programme
<b>Carlos José da Silva</b>	Chairman of the Board of Directors	Banco Privado Atlântico
	Chairman of the Board of Directors	Banco Privado Atlântico Europa
	Deputy Chairman of the Board of	Sociedade Baía de Luanda

<b>Álvaro Roque de Pinho Bissaia Barreto</b>	Directors	
	Chairman of the Board of Directors	Interoceânico Capital SGPS
	Chairman of the Board of Directors	Angola Management School
	Chairman of the Board of Directors	Tejo Energia, S.A.
	Non-executive director	Nutrinveste - Soc. Gestora de Part. Sociais, S.A.
	Non-executive director	MELLOL - Soc. Gestora de Participações Sociais, S.A.
	Non-executive director	Beralt Tin & Wolfram (Portugal), S.A.
	Non-executive director	SAIP - Sociedade Alentejana de Inv. Participações, SGPS, S.A.
	Member of the Board	Bissaya Barreto Foundation
	Member of the Urban Planning and Management Board	Batalha de Aljubarrota Foundation
<b>André Magalhães Luís Gomes</b>	Chairman of the Board of the General Meeting	Prime Drinks, S.A.
	Chairman of the Board of the General Meeting	Paço de Maiorca, Promoção e Gestão de Equipamentos Hoteleiros, S.A.
	Partner	Cuatrecasas, Gonçalves Pereira & Associados, Sociedade de Advogados, R.L.
	Member of the Board of Directors	Modern and Contemporary Art Foundation - Berardo Collection
	Member of the Board of Directors	Bacalhôa - Vinhos de Portugal, S.A.
	Member of the Board of Directors	Matiz Sociedade Imobiliária, S.A.
	Member of the Board of Directors	Atram - Sociedade Imobiliária S.A.
	Sole Director	Imobiliária de São Joaquim, S.A.
	Director	Dichiarato, S.A.
	Director	Digiátomo - Sociedade Imobiliária, S.A.
	Manager	Brightmelody Unipessoal, Lda.
	Director	Gauluna, S.A.
	Manager	New Property - Sociedade Imobiliária, Lda.
	Chairman of the Board of the General Meeting	FGA Capital Instituição Financeira de Crédito, S.A.
	Chairman of the Board of the General Meeting	FGA Distribuidora Portugal, S.A.
	Chairman of the Board of the General Meeting	Fiat Group Automobiles Portugal, S.A.
	Chairman of the Board of the General Meeting	Rentipar Financeira, SGPS – S.A.
	Chairman of the Board of the General Meeting	Carmo - Sociedade Agrícola S.A.
	Chairman of the Board of the General Meeting	Explorer Investments, Sociedade Capital de Risco S.A.
	Chairman of the Board of the General Meeting	Explorer Investments, SGPS S.A.
<b>António Luís Guerra Nunes Mexia</b>	Chairman of the Executive Board of Directors	EDP - Energias de Portugal

<b>Bernardo de Sá Braamcamp Sobral Sottomayor<sup>(1)</sup></b>	Partner	ANTIN-Infrastructure Partners
<b>César Paxi Manuel João Pedro</b>	Head of the Legal Division	Group Sonangol
<b>João Bernardo Bastos Mendes Resende</b>	Member of the Board of Directors	Banco Urquijo (Banco Sabadell Group)
	Member of the Board of Directors	Cajastur Servicios Financieros
	Member of the Governing Board	Instituto de Estudos Económicos
	Member	Spanish Institute of Financial Analysts
	Member of the Governing Council	Spanish Securities Market Association
	Member of the Board of Directors	Cajastur Servicios Financieros
<b>Jaime de Macedo Santos Bastos</b>	Chartered Accountant	Several companies
<b>João Manuel de Matos Loureiro</b>	Professor	School of Economics of Porto
	Professor and Coordinator of the postgraduate course in Corporate Management	School of Business Management of Porto
	Researcher	Economics and Finance Centre of Universidade do Porto
<b>José Guilherme Xavier de Basto</b>	Member of the Board of Directors and Audit Committee	Portugal Telecom, SGPS, S.A.
	Chairman of the Supervisory Board	Portuguese Fiscal Association
	Chairman of the General Meeting	Portuguese Consultants Association
	Member of the Research Office	Chartered Accountants Association
<b>José Rodrigues de Jesus <sup>(1)</sup></b>	Statutory Auditor	Various companies
	Member of the Audit Board	Germen - Moagem de Cereais, S.A.

(1) Directors appointed by the State for the period of enforcement of the public investment to strengthen own funds

To the best of the Issuer's knowledge, no member of the Board of Directors of the Bank has any external activity relevant for the Bank other than the ones listed above.

For all the purposes resulting from the functions of the members of the Board of Directors, their professional domicile is at Av. Prof. Dr. Cavaco Silva (Parque das Tecnologias), Edifício 1, Piso 2, 2744-002 Porto Salvo.

### Executive Committee

Under the terms of the law and of the Articles of Association of the Bank, the Board of Directors appointed an Executive Committee on 1 March 2012, composed of seven of its members, which performs all the Bank's current management functions that are not to be exercised by the Board of Directors. The members of the Executive Committee are as follows:

Chairman:	Nuno Manuel da Silva Amado
1st Vice-Chairman:	Miguel Maya Dias Pinheiro
2nd Vice-Chairman:	Miguel de Campos Pereira de Bragança
Members:	José Jacinto Iglésias Soares Luís Maria França de Castro Pereira Coutinho Maria da Conceição Mota Soares de Oliveira Callé Lucas Rui Manuel da Silva Teixeira

## **Audit Committee**

Under the terms of the Articles of Association of the Bank, the Bank's supervision pertains to an Audit Committee, elected by the General Meeting and composed of a minimum of three and a maximum of five members.

The Audit Committee was created in accordance with the provisions of number 1, of article 278 of the Portuguese Companies Code and in accordance with Article 39 of the Articles of Association of the Bank, is particularly responsible for (amid the remaining powers attributed to it by law):

- (a) Monitoring the Bank's management;
- (b) Verifying the compliance with the law and the articles of association;
- (c) Verifying the regularity of the books, accounting records and documents supporting them;
- (d) Verifying the accuracy of the financial statements;
- (e) Supervising the efficiency of the risk management system, the internal control system and the internal audit system;
- (f) Receiving the communications stating irregularities reported by shareholders, employees of the Bank or others;
- (g) Monitoring the preparation and disclosure of financial information;
- (h) Proposing to the General Meeting the election of the Chartered accountant and of the external auditor;
- (i) Supervising the audit of the annual report and financial statements of the Bank;
- (j) Verify the Statutory Auditor's independence, namely regarding the rendering of non-audit services;
- (k) Engaging the provision of services by experts to assist one or several of its members in the exercise of their functions. This engagement and the remuneration of the experts must take into account the importance of the issues committed to them and the Bank's economic situation; and
- (l) Complying with all the other duties attributed to it by the law or by the Articles of Association.

The Audit Committee is composed of the following members:

Chairman: João Manuel de Matos Loureiro

Members: Jaime de Macedo Santos Bastos  
José Guilherme Xavier de Basto  
José Rodrigues de Jesus (Member appointed by the government for the duration of the State aid to increase own funds)

## **Statements regarding the Members of Management and Supervision Bodies**

To the best of the Issuer's knowledge and in its understanding, having made enquiries, there are no potential conflicts of interests between the duties of any member of the management and supervision bodies identified above towards the Issuer or towards any other Group company and his/her personal interests and duties. There are non-executive members of the Board of Directors with functions in other financial institutions that can be considered competitors of the Bank. For this situation, the General Meeting of Shareholders held on 28 February 2012 resolved to authorise the presence of those members in the Board of Directors, with the mention of the adoption of a restrictive regime of access to sensitive information.

**Statutory Auditor**

KPMG & Associados, SROC, S.A. (SROC No. 189), member of the Portuguese Institute of Statutory Auditors (“Ordem dos Revisores Oficiais de Contas”), represented by Ana Cristina Valente Dourado (ROC No. 1011), as Statutory Auditor and Jean-éric Gaign (ROC n° 1013), as alternate Statutory Auditor.

The business address for the Statutory Auditor and alternate Statutory Auditor is Edifício Monumental, Avenida Praia da Vitória, 71, 11°, 1069-006 Lisboa.

There are no potential conflicts of interest between the duties to the Bank of the persons listed above and their private interest or duties.



## **BANCO COMERCIAL PORTUGUÊS**

The financial information set out below has been derived from the audited consolidated financial statements of the Bank as at, and for the years ended on, 31 December 2012 and 31 December 2013 and the unaudited consolidated balance sheet and income statement for the period ended 31 March 2014 of the Bank for the three-month period ended on 31 March 2014. The audited annual consolidated financial statements and the unaudited consolidated balance sheet and income statement of the Bank were prepared in accordance with the IFRS. Such financial information should be read together with, and is qualified in its entirety by reference to, the Bank's annual reports and audited financial statements as at, and for the years ended on, 31 December 2012 and 31 December 2013 and the unaudited consolidated balance sheet and income statement of the Bank for the three-month period ended on 31 March 2014. The financial statements for the years ended on 31 December 2012 and 31 December 2013 have been approved by the Board of Directors of the Bank and by the General Meeting of Shareholders on 21 May 2013 and 30 May 2014, respectively.

# BANCO COMERCIAL PORTUGUÊS

## Consolidated Income Statement for the years ended 31 December, 2013 and 2012

	2013	2012
	(Thousands of EUR)	
Interest and similar income .....	2,832,912	3,422,798
Interest expense and similar charges.....	(1,984,825)	(2,424,838)
Net interest income.....	848,087	997,960
Dividends from equity instruments .....	3,680	3,840
Net fees and commissions income.....	662,974	655,087
Net gains / (losses) arising from trading and hedging activities .....	80,385	391,874
Net gains / (losses) arising from financial assets available for sale .....	184,065	44,871
Net gains / (losses) arising from financial assets held to maturity .....	(278)	(22)
Other operating income/costs.....	(55,627)	(43,687)
	1,723,286	2,049,923
Other net income from non banking activities .....	20,502	20,093
Total operating income .....	1,743,788	2,070,016
Staff costs.....	767,463	751,466
Other administrative costs .....	459,653	501,725
Depreciation.....	68,123	68,050
Operating expenses.....	1,295,239	1,321,241
Operating net income before provisions and impairment.....	448,549	748,775
Loans impairment .....	(820,827)	(969,600)
Other financial assets impairment .....	(102,193)	(75,585)
Other assets impairment .....	(210,471)	(258,933)
Goodwill impairment .....	(3,043)	-
Other provisions.....	(150,059)	(15,123)
Operating net (loss)/income .....	(838,044)	(570,466)
Share of profit of associates under the equity method.....	62,260	55,659
Gains / (losses) from the sale of subsidiaries and other assets .....	(36,759)	(24,193)
Net (loss)/income before income tax.....	(812,543)	(539,000)
Income tax		
Current .....	(115,635)	(81,286)
Deferred.....	326,434	213,343
(Loss) / income after income tax from continuing operations	(601,744)	(406,943)
(Loss) / income arising from discontinued operations	(45,004)	(730,267)
Net loss after income tax.....	(646,748)	(1,137,210)
Attributable to:		
Shareholders of the Bank.....	(740,450)	(1,219,053)
Non-controlling interests.....	93,702	81,843
Net loss for the year .....	(646,748)	(1,137,210)
Earnings per share (in EUR)		
Basic.....	(0.04)	(0.10)
Diluted.....	(0.04)	(0.10)

# BANCO COMERCIAL PORTUGUÊS

## Consolidated Income Statement for the three months period ended 31 March, 2014 and 2013

	<i>31 March 2014</i>	<i>31 March 2013</i>
	<i>(Thousands of EUR)</i>	
Interest and similar income .....	671,231	722,908
Interest expense and similar charges .....	(434,838)	(543,686)
Net interest income .....	236,393	179,222
Dividends from equity instruments .....	3,273	38
Net fees and commissions income .....	164,645	160,255
Net gains / (losses) arising from trading and hedging activities .....	18,441	31,923
Net gains / (losses) arising from financial assets available for sale .....	93,468	40,977
Net gains / (losses) arising from financial assets held at maturity .....	-	(278)
Other operating income/(costs) .....	(12,968)	(11,490)
	503,252	400,647
Other net income from non banking activities .....	4,048	4,809
Total operating income .....	507,300	405,456
Staff costs .....	160,171	166,050
Other administrative costs .....	107,550	113,419
Depreciation .....	15,880	16,812
Operating expenses .....	283,601	296,281
Operating net income before provisions and impairment .....	223,699	109,175
Loans impairment .....	(191,739)	(186,929)
Other financial assets impairment .....	(3,645)	(5,828)
Other assets impairment .....	(15,323)	(34,730)
Other provisions .....	(40,393)	(10,213)
Operating net loss .....	(27,401)	(128,525)
Share of profit of associates under the equity method .....	13,079	14,094
Gains / (losses) from the sale of subsidiaries and other assets .....	(6,108)	(1,448)
Net loss before income tax .....	(20,430)	(115,879)
Income tax		
Current .....	(32,659)	(15,009)
Deferred .....	38,108	42,835
(Loss) / income after income tax from continuing operations .....	(14,981)	(88,053)
(Loss) / income arising from discontinued operations .....	(346)	(43,774)
Net (loss) / income after income tax .....	(15,327)	(131,827)
Consolidated net (loss) / income for the period attributable to:		
Shareholders of the Bank .....	(40,730)	(151,962)
Non-controlling interests .....	25,403	20,135
Net loss for the year period .....	(15,327)	(131,827)
Earnings per share (in EUR)		
Basic .....	(0.01)	(0.03)
Diluted .....	(0.01)	(0.02)
Net interest income .....	236,393	179,222
Net income from banking activities .....	503,252	400,456
Total operating income .....	507,300	405,647
Operating net loss .....	(27,401)	(128,525)
Net loss before income tax .....	(20,430)	(115,879)
(Loss) / income after income tax from continuing operations .....	(14,981)	(88,053)
(Loss) / income arising from discontinued operations .....	(346)	(43,774)
Net loss attributable to Shareholders of the Bank .....	(40,730)	(151,962)

Net loss for the period .....	<u>(15,327)</u>	<u>(131,827)</u>
	<u>          </u>	<u>          </u>

# BANCO COMERCIAL PORTUGUÊS

## Consolidated Balance Sheet as at 31 December, 2013 and 2012

	2013	2012
	(Thousands of EUR)	
<b>Assets</b>		
Cash and deposits at Central Banks .....	2,939,663	3,580,546
Loans and advances to credit institutions		
Repayable on demand.....	1,054,030	829,684
Other loans and advances .....	1,240,628	1,887,389
Loans and advances to customers .....	56,802,197	62,618,235
Financial assets held for trading .....	1,290,079	1,690,926
Financial assets available for sale .....	9,327,120	9,223,411
Assets with repurchase agreement .....	58,268	4,288
Hedging derivatives.....	104,503	186,032
Financial assets held to maturity .....	3,110,330	3,568,966
Investments in associated companies .....	578,890	516,980
Non current assets held for sale .....	1,506,431	1,284,126
Investment property .....	195,599	554,233
Property and equipment.....	732,563	626,398
Goodwill and intangible assets.....	250,915	259,054
Current income tax assets .....	41,051	34,037
Deferred income tax assets.....	2,181,405	1,755,411
Other assets .....	593,361	1,124,323
Total assets .....	82,007,033	89,744,039
<b>Liabilities</b>		
Deposits from credit institutions.....	13,492,536	15,265,760
Deposits from customers.....	48,959,752	49,404,398
Debt securities issued .....	9,411,227	13,862,999
Financial liabilities held for trading .....	869,530	1,393,194
Hedging derivatives.....	243,373	301,315
Provisions .....	365,960	253,328
Subordinated debt .....	4,361,338	4,298,773
Current income tax liabilities.....	24,684	15,588
Deferred income tax liabilities .....	6,301	2,868
Other liabilities.....	996,524	945,628
Total Liabilities .....	78,731,225	85,743,851
<b>Equity</b>		
Share capital.....	3,500,000	3,500,000
Treasury stock.....	(22,745)	(14,212)
Share premium.....	-	71,722
Preference shares.....	171,175	171,175
Other capital instruments .....	9,853	9,853
Fair value reserves .....	22,311	2,668
Reserves and retained earnings .....	(356,937)	850,021
Net loss for the year attributable to Shareholders .....	(740,450)	(1,219,053)
Total Equity attributable to Shareholders of the Bank .....	2,583,207	3,372,174
Non-controlling interests.....	692,601	628,014
Total Equity .....	3,275,808	4,000,188
	82,007,033	89,744,039

**BANCO COMERCIAL PORTUGUÊS**  
**Consolidated Balance Sheet as at 31 March 2014 and 2013**

	<i>31 March</i> <i>2014</i>	<i>31 March</i> <i>2013</i>
	<i>(Thousands of EUR)</i>	
<b>Assets</b>		
Cash and deposits at central banks .....	2,449,049	2,720,085
Loans and advances to credit institutions		
Repayable on demand.....	657,456	776,815
Other loans and advances .....	2,069,983	1,730,770
Loans and advances to customers .....	56,407,251	62,155,955
Financial assets held for trading.. ..	1,364,637	1,939,793
Financial assets available for sale.....	10,105,204	10,145,753
Assets with repurchase agreement .....	80,370	85,622
Hedging derivatives.....	76,257	173,535
Financial assets held to maturity.....	2,923,300	3,415,703
Investments in associated companies .....	596,206	524,976
Non-current assets held for sale .....	1,502,448	1,308,406
Investment property .....	190,324	550,879
Property and equipment.....	730,877	620,922
Goodwill and intangible assets .....	249,447	255,545
Current income tax assets .....	38,914	29,900
Deferred income tax assets.....	2,192,024	1,809,746
Other assets .....	714,570	1,229,963
Total assets	<u>82,348,317</u>	<u>89,474,368</u>
<b>Liabilities</b>		
Deposits from credit institutions.....	12,748,094	13,944,952
Deposits from customers.....	49,303,400	52,037,366
Debt securities issued .....	9,988,137	12,200,774
Financial liabilities held for trading .....	873,016	1,256,315
Hedging derivatives.....	247,153	267,047
Provisions .....	410,139	273,485
Subordinated debt.....	4,368,694	4,364,859
Current income tax liabilities.....	13,650	9,633
Deferred income tax liabilities .....	7,525	3,019
Other liabilities.....	1,150,990	1,248,452
Total Liabilities .....	<u>79,009,798</u>	<u>85,605,902</u>
<b>Equity</b>		
Share capital.....	3,500,000	3,500,000
Treasury stock.....	(34,351)	(16,448)
Share premium.....	-	71,722
Preference shares.....	171,175	171,175
Other capital instruments .....	9,853	9,853
Fair value reserves .....	143,726	18,670
Reserves and retained earnings .....	(1,111,942)	(375,930)
Net loss for the period attributable to Shareholders.....	<u>(40,730)</u>	<u>(151,962)</u>
Total Equity attributable to Shareholders of the Bank .....	2,637,551	3,227,080
Non-controlling interests.....	700,968	641,386
Total Equity .....	<u>3,338,519</u>	<u>3,868,466</u>
	<u>82,348,317</u>	<u>89,474,368</u>

<b>Total Assets</b> .....	<b>82,348,317</b>	<b>89,474,368</b>
Total Liabilities .....	79,009,798	85,605,902
Total Equity attributable to Shareholders of the Bank .....	2,637,551	3,227,080
Total Equity .....	3,338,519	3,868,466
<b>Total Liabilities and Equity</b> .....	<b>82,348,317</b>	<b>89,474,368</b>

# BANCO COMERCIAL PORTUGUÊS

## Consolidated Cash Flows Statement for the years ended 31 December, 2013 and 2012

	2013	2012
	(Thousands of EUR)	
<b><i>Cash flows arising from operating activities</i></b>		
Interest income received .....	2,433,310	3,213,190
Commissions received .....	904,978	965,186
Fees received from services rendered .....	98,319	100,683
Interest expense paid .....	(1,773,627)	(2,432,932)
Commissions paid .....	(326,910)	(292,784)
Recoveries on loans previously written off .....	16,493	23,582
Net earned premiums .....	29,092	26,150
Claims incurred .....	(13,582)	(13,328)
Payments to suppliers and employees .....	(1,460,800)	(1,625,076)
	(92,727)	(35,329)
<i>Decrease / (increase) in operating assets:</i>		
Loans and advances to credit institutions .....	1,857,494	619,383
Deposits with Central Banks under monetary regulations .....	567,938	(993,619)
Loans and advances to customers .....	2,700,354	6,357,851
Short term trading account securities .....	(138,594)	547,853
<i>Increase / (decrease) in operating liabilities:</i>		
Deposits from credit institutions repayable on demand .....	(152,854)	151,589
Deposits from credit institutions with agreed maturity date .....	(1,383,154)	(2,700,665)
Deposits from clients repayable on demand .....	1,585,422	611,382
Deposits from clients with agreed maturity date .....	259,016	1,133,056
	5,202,895	5,691,501
Income taxes (paid) / received .....	(105,897)	(34,344)
	5,096,998	5,657,157
<b><i>Cash flows arising from investing activities</i></b>		
Proceeds from sale of shares in subsidiaries and associated companies .....	2,595	-
Dividends received .....	6,482	8,805
Interest income from available for sale financial assets and held to maturity financial assets .....	426,694	490,014
Proceeds from sale of available for sale financial assets .....	14,411,334	19,555,462
Available for sale financial assets purchased .....	(82,118,464)	(69,710,243)
Proceeds from available for sale financial assets on maturity .....	67,379,278	46,249,984
Acquisition of fixed assets .....	(76,156)	(113,378)
Proceeds from sale of fixed assets .....	37,981	13,817
Decrease/ (increase) in other sundry assets .....	70,316	(595,786)
	140,060	(4,101,325)
<b><i>Cash flows arising from financing activities</i></b>		
Issuance of subordinated debt .....	1,104	3,160,479
Reimbursement of subordinated debt .....	(779)	(43,921)
Issuance of debt securities .....	5,859,326	9,845,201
Reimbursement of debt securities .....	(10,485,386)	(13,383,919)
Issuance of commercial paper and other securities .....	215,620	20,687
Reimbursement of commercial paper and other securities .....	(10,085)	(1,445,406)
Dividends paid to non-controlling interests .....	(8,978)	(10,773)



	<b>2013</b>	<b>2012</b>
	(Thousands of EUR)	
Increase / (decrease) in other sundry liabilities and non-controlling interests	(587,668)	(933,729)
	(5,016,846)	(2,303,976)
Exchange differences effect on cash and equivalents.....	(48,782)	41,890
Net changes in cash and equivalents.....	171,430	(706,254)
Cash and equivalents at the beginning of the year .....	1,562,300	2,268,554
Cash .....	679,700	732,616
Other short term investments .....	1,054,030	829,684
Cash and equivalents at the end of the year .....	1,733,730	1,562,300

## **BANCO COMERCIAL PORTUGUÊS**

### **Evolution of the Solvency Ratio on the first quarter of 2014**

On 26 June 2013, the European Parliament and Council approved Directive 2013/36/EU and Regulation (EU) N. 575/2013 (Capital Requirements Directive IV/Capital Requirements Regulation - CRD IV/CRR) that established new and more demanding capital requirements for credit institutions, with effects as from 1 January 2014.

These stricter requirements result from a more narrow definition of own funds and risk weighted assets, together with the establishment of minimum ratios, including a capital conservation buffer of 7% for common equity Tier 1 (CET1), 8.5% for Tier 1 capital (T1) and of 10.5% for the Total Ratio. However, the CRD IV/CRR stipulates a transitional period (phase-in) during which institutions may accommodate the new requirements, both in terms of own funds and of compliance with minimum capital ratios.

Notwithstanding such phase-in period, Bank of Portugal, through Notice N. 6/2013 of 23 December, determined that Portuguese institutions are required to permanently ensure the maintenance of a CET1 ratio of at least 7% and that, in the event this capital target ratio is not achieved, the institution must adopt capital conservation measures.

According to our interpretation of CRD IV/CRR to date, CET1 ratios estimated at 31 March 2014 amounted to 12.2% by the standards of the phase-in.

Moreover, the core tier I ratio stood at 13.9%, calculated in accordance with the rules of Bank of Portugal, and at 11.0% in accordance with the criteria of the European Banking Authority (EBA), representing an increase of 19 basis points and 12 basis points, respectively, from the ratios of 13.8% and 10.8% reported for the year-end 2013.

The decrease in risk weighted assets in the first quarter 2014 was mainly associated with (i) the reduction of exposures and of credit risk levels in Portugal and (ii) decrease in risk weighted assets for credit risk achieved in Poland, notwithstanding increase in risk weighted assets for market risks.

CET1 ratios estimated in accordance with CRD IV/CRR compare unfavorably with the core tier I ratio of Bank of Portugal mainly due to the impact of deductions that apply additionally to the CET1, in respect to the difference between impairment and expected loss, to minority interests, to the pension fund corridor, to financial investments and deferred taxes, on the one hand, and to the worsening of weighted risks associated with deferred taxes and financial investments not deducted to CET1, despite the more favorable treatment enjoyed by the credit portfolio exposures to small and medium enterprises, on the other hand.

On 22 July 2013, EBA released a recommendation establishing the preservation of a nominal floor of core tier I capital, corresponding to the amount of capital needed to meet the core tier 1 ratio of 9%, as at 30 June 2012, including the same capital buffer for exposures to sovereign risk, in order to ensure an appropriate transition to the stricter requirements of the CRD IV/CRR.

This recommendation foresees some exceptions in cases of, restructuring plans and specific de-risking programs and for those banks whose CET1 lever is above the minimum capital requirements and the capital conservation buffer computed under fully implemented CRD IV/CRR requirements, for which the nominal capital floor may be set taking as reference a later date, upon a request from the institutions to the Bank of Portugal and its subsequent assessment. In this context, Millennium bcp, submitted that request in due time which is currently under review.

The core tier 1 surplus, resulting from the application of the recommendation on capital preservation, determined as at 31 March 2014 and 31 December 2013, taking the capital requirements established in each of these dates as reference for calculation, amounted to Euro 843 million and Euro 805 million, respectively, reflecting the performance of EBA's core tier I ratio.

**SOLVENCY (Basel II)**

	<i>Euro million</i>	
	<i>31 Mar. 14</i>	<i>31 Dec. 13</i>
<b>Own funds</b>		
Core tier I	6,022	6,040
Preference shares and perpetual subordinated.....	22	40
Other deduction (1) .....	(442)	(434)
<b>Tier I capital.....</b>	<b>5,602</b>	<b>5,646</b>
Tier II capital.....	894	880
Deductions to total regulatory capital.....	(105)	(106)
Total regulatory capital.....	6,392	6,421
<b>Risk weighted assets .....</b>	<b>43,208</b>	<b>43,926</b>
<b>Solvency ratios</b>		
Core tier I.....	13.9%	13.8%
Tier I.....	13.0%	12.9%
Tier II .....	1.8%	1.8%
Total.....	14.8%	14.6%
<b>Core tier I ratio EBA (2).....</b>	<b>11.0%</b>	<b>10.8%</b>
<b>Capital preservation (3).....</b>	<b>843</b>	<b>805</b>

(1) Includes deductions related to the shortfall of the stock of impairment to estimated losses and to significant shareholdings in unconsolidated financial institutions, in particular to the shareholdings held in Millenniumbcp Ageas and Banque BCP (France and Luxembourg).

(2) Core tier I ratio in accordance with the criteria of EBA. In this scope, core tier I in accordance with the rules of the Bank of Portugal was deducted of the “Other deductions (1)” and of the buffer to sovereign risks (Euro 848 million); the risk weighted assets do not have adjustments. This ratio will be revoked, according to the EBA recommendation (EBA/REC/2013/03 of 22 July 2013).

(3) These amounts represent the surplus of core tier I resulting from the new EBA Recommendation on the preservation of capital levels (EBA/REC/2013/03 of 22 July 2013), assuming the capital requirements reported in each of those dates as the reference for the calculations, because it has not yet been communicated by the competent authorities the applicable date.

## TAXATION

### 1. Portuguese Taxation

The following is a general summary of the Bank's understanding of current law and practice in Portugal as in effect on the date of this Offering Circular in relation to certain current relevant aspects to Portuguese taxation of the Notes and is subject to changes in such laws, including changes that could have a retroactive effect. The following summary is intended as a general guide only and is not exhaustive. It is not intended to be, nor should it be considered to be, legal or tax advice to any holder of Notes. It does not take into account or discuss the tax laws of any country other than Portugal and relates only to the position of persons who are absolute beneficial owners of the Notes. Prospective investors are advised to consult their own tax advisers as to the Portuguese or other tax consequences of the purchase, ownership and disposal of Notes.

The reference to "interest", "other investment income" and "capital gains" in the paragraphs below means "interest", "other investment income" and "capital gains" as understood in Portuguese tax law. The statements below do not take any account different definitions of "interest", "other investment income" or "capital gains" which may prevail under any other law or which may be created by the Terms and Conditions of the Notes or any related documentation.

#### *Notes issued by BCP Finance*

Interest and other investment income obtained by Portuguese resident individuals on Notes issued by BCP Finance is subject to individual income tax. If the payment of interest or other investment income is made available to Portuguese resident individuals through a Portuguese resident entity or a Portuguese branch of a non-resident entity, withholding tax applies at 35%, which is the final tax on that income. If the interest on the Notes is not received through an entity located in Portugal it is not subject to Portuguese withholding tax, but an autonomous taxation of 35% will apply, which is the final tax on that income.

In the case of Zero Coupon Notes, the difference between the redemption value and the subscription cost is regarded as investment income and is also subject to Portuguese taxation.

Gains obtained on the disposal of Notes by an individual resident in Portugal for tax purposes are subject to Portuguese capital gains taxation, whereby the positive difference between such gains and gains on other securities and losses in securities is subject to tax at 28%, which is the final tax on that income unless the individual elects to include it in his/her taxable income, subject to tax at progressive rates of up to 53%, to which a 3.5% surtax is to be added. Accrued interest qualifies as interest for tax purposes.

Interest and other investment income derived from the Notes and capital gains realised with the transfer of the Notes by legal persons resident for tax purposes in Portugal and by non-resident legal persons with a permanent establishment in Portugal to which the income or gains are attributable are included in their taxable profits and are subject to corporate tax at 23% or 17% on the first EUR 15,000 in the case of small or small and medium-sized enterprises and may be subject to a municipal surcharge ("*derrama municipal*") of up to 1.5%. A state surcharge ("*derrama estadual*") also applies at 3% on taxable profits in excess of EUR 1,500,000 and up to EUR 7,500,000 and at 5% on taxable profits in excess of EUR 7,500,000 up to EUR 35,000,000 and at 7% on taxable profits in excess of EUR 35,000,000.

No stamp tax applies to the acquisition through gift or inheritance of Notes by an individual.

The acquisition of Notes through gift or inheritance by a Portuguese resident legal person or a non-resident acting through a Portuguese permanent establishment is subject to corporate tax at 23%, or 17% on the first EUR 15,000 in the case of small or small and medium-sized enterprises. A municipal surcharge ("*derrama municipal*") of up to 1.5% may also be due. A state surcharge ("*derrama estadual*") also applies at 3% on taxable profits in excess of EUR 1,500,000 and up to EUR 7,500,000 and at 5% on taxable profits in excess of EUR 7,500,000 up to EUR 35,000,000 and at 7% on taxable profits in excess of EUR 35,000,000.

There is neither wealth nor estate tax in Portugal.

Payments made by BCP Finance of interest, other investment income or principal on Notes issued by it to an individual or legal person non-resident in Portugal for tax purposes without a Portuguese permanent establishment to which income may be attributable are not subject to Portuguese tax.

Capital gains realised on the transfer of a Note by a holder who is neither resident nor engaged in business through a permanent establishment in Portugal to which that gain is attributable are not subject to Portuguese tax.

#### *Notes issued by the Bank*

##### *Portuguese resident holders and non-resident holders with a Portuguese permanent establishment*

Interest and other types of investment income obtained on Notes by a Portuguese resident individual is subject to withholding tax at 28%, which, if such income is not earned as business or professional income, is the final tax on that income unless the individual elects to include it in his/her taxable income, subject to tax at progressive rates of up to 53% to which a 3.5% surtax is to be added. In this case, the tax withheld is deemed a payment on account of the final tax due.

In the case of zero coupon Notes, the difference between the redemption value and the subscription cost is regarded as investment income and is taxed accordingly.

Gains obtained on the disposal of Notes by an individual resident in Portugal for tax purposes are subject to Portuguese capital gains taxation, whereby the positive difference between such gains and gains on other securities and losses in securities is subject to tax at 28%, which is the final tax on that income, unless the individual elects to include it in his/her taxable income, subject to tax at progressive rates of up to 53% to which a 3.5% surtax is to be added. Accrued interest qualifies as interest for tax purposes.

Stamp tax at 10% applies to the acquisition through gift or inheritance of Notes by an individual who is domiciled in Portugal. An exemption applies to transfers in favour of the spouse (or person living together as spouse), descendants and parents/grandparents.

Interest or other investment income derived from the Notes and capital gains realised with the transfer of the Notes by legal persons resident for tax purposes in Portugal and by non-resident legal persons with a permanent establishment in Portugal to which the income or gains are attributable are included in their taxable profits and are subject to Portuguese corporate tax at 25% and may be subject to a municipal surcharge (“*derrama municipal*”) of up to 1.5%. A state surcharge (“*derrama estadual*”) also applies at 3% on taxable profits in excess of EUR 1,500,000 and up to EUR 7,500,000 and at 5% on taxable profits in excess of EUR 7,500,000 up to EUR 35,000,000 and at 7% on taxable profits in excess of EUR 35,000,000.

Withholding tax at 25% applies to interest and other investment income, which is deemed a payment on account of the final tax due. The withholding (and final) tax rate is 21.5% in the case of entities benefiting from an exemption from tax under Articles 9 and 10 of the corporate tax code that does not apply to investment income. The corporate tax rate is 21.5% in the case of entities not carrying on an activity of a commercial, industrial or agricultural nature.

The annual positive difference between capital gains and capital losses deriving from the sale of Notes and other debt securities, shares and other financial instruments by investment funds created and operating under Portuguese legislation is subject to a tax at 25%.

Financial institutions, pension funds, retirement and/or education savings funds, share savings funds, venture capital funds and some exempt entities, among other entities, are not subject to withholding tax.

Interest and other investment income paid or made available (“*colocado à disposição*”) to accounts in the name of one or more accountholders acting on behalf of undisclosed entities is subject to a final withholding tax at 35%, unless the beneficial owner of the income is disclosed, in which case the general rules will apply.

The acquisition of Notes through gift or inheritance by a Portuguese resident legal person or a non-resident acting through a Portuguese permanent establishment is subject to Portuguese corporate tax at 23%, or 17% on the first EUR 15,000 in the case of small or small and medium-sized enterprises. A municipal surcharge (*"derrama municipal"*) of up to 1.5% may also be due. A state surcharge (*"derrama estadual"*) also applies at 3% on taxable profits in excess of EUR 1,500,000 and up to EUR 7,500,000 and at 5% on taxable profits in excess of EUR 7,500,000 up to EUR 35,000,000 and at 7% state on taxable profits in excess of EUR 35,000,000.

There is no wealth nor estate tax in Portugal.

*Non-resident holders without a Portuguese permanent establishment – General rules*

Interest and other types of investment income obtained by non-resident holders without a Portuguese permanent establishment to which the income is attributable is subject to withholding tax at 28% (individuals) or 25% (legal persons), which is the final tax on that income. The rate is 35% in the case of individuals or legal persons domiciled in a country included in the "tax havens" list approved by Ministerial order No. 150/2004 of 13 February.

Interest and other investment income paid or made available (*"colocado à disposição"*) to accounts in the name of one or more accountholders acting on behalf of undisclosed entities is subject to a final withholding tax at 35%, unless the beneficial owner of the income is disclosed, in which case the general rules will apply.

Under the tax treaties entered into by Portugal, the withholding tax rate may be reduced to 15, 12, 10 or 5%, depending on the applicable treaty and provided that the relevant formalities (including certification of residence by the tax authorities of the beneficial owners of the interest and other investment income) are met. The reduction may apply at source or through the refund of the excess tax. The forms currently applicable for these purposes were approved by Order (*"Despacho"*) No. 4743-A/2008 (2<sup>nd</sup> series), as rectified on 29 February 2008, published in the Portuguese official gazette, second series, No. 43, of 29 February 2008, of the Portuguese Minister of Finance and may be available for viewing and downloading at [www.portaldasfinancas.gov.pt](http://www.portaldasfinancas.gov.pt).

According to information provided by Euroclear and Clearstream, Luxembourg (the "**ICSDs**"), the ICSDs do not offer any tax relief to the holders of Notes (other than Book Entry Notes) issued by the Bank acting through its head office.

In the case of zero coupon Notes, the difference between the redemption value and the subscription cost is regarded as investment income and is taxed accordingly.

Interest paid to an associated company of the Bank which is resident in the European Union is exempt from withholding tax.

For these purposes, an "**associated company of the Bank**" is:

- (i) a company which is subject to one of the taxes on profits listed in Article 3(a)(iii) of Council Directive 2003/49/EC without being exempt, which takes one of the forms listed in the Annex to that Directive, which is considered to be resident in a Member State of the European Union and is not, within the meaning of a double taxation convention on income concluded with a third state, considered to be resident for tax purposes outside the European Community; and
- (ii) which holds a minimum direct holding of 25% in capital of the Bank, or is directly held by the Bank in at least 25% or which is directly held in at least 25% by a company which also holds at least 25% of the capital of the Bank; and
- (iii) provided that the holding has been maintained for an uninterrupted period of at least two years. If the minimum holding period is met after the date the withholding tax becomes due, a refund may be obtained.

The associated company of the Bank to which payments are made must be the beneficial owner of the interest, which will be the case if it receives the interest for its own benefit and not as an intermediary, either as a representative, a trustee or authorised signatory, for some other person.

Capital gains obtained on the disposal of Notes by an individual non-resident in Portugal for tax purposes are subject to Portuguese capital gains taxation, whereby the positive difference between such gains and gains on other securities and losses in securities is subject to tax at 28%, which is the final tax on that income. An exemption applies, unless the individual is resident in a country included in the “tax havens” list approved by Ministerial Order No.150/2004, of 13 February. Accrued interest qualifies as interest for tax purposes.

Gains obtained on the disposal of Notes by a legal person non-resident in Portugal for tax purposes and without a permanent establishment in Portugal to which gains are attributable are exempt from Portuguese capital gains taxation, unless the share capital of the holder is more than 25% directly or indirectly held by Portuguese resident entities or if the holder is resident in a country included in the “tax havens” list approved by Ministerial Order No. 150/2004, of 13 February. If the exemption does not apply, the gains will be subject to tax at 25%.

Under the tax treaties entered into by Portugal, the above gains are usually not subject to Portuguese tax, but the applicable rules should be confirmed on a case-by-case basis.

No stamp tax applies to the acquisition through gift and inheritance of Notes by an individual who is not domiciled in Portugal.

The acquisition of Notes through gift or inheritance by a non-resident legal person is subject to corporate tax at 25%. Under the tax treaties entered into by Portugal, such gains are usually not subject to Portuguese tax, but the applicable rules should be confirmed on a case-by-case basis.

There is neither wealth nor estate tax in Portugal.

*Non-resident holders without a Portuguese permanent establishment – Notes held through a centralised control system*

The regime described above corresponds to the general tax treatment of investment income and capital gains on the Notes and to the acquisition through gift or inheritance of such Notes.

Nevertheless, pursuant to the Special Taxation Regime for Debt Securities approved by Decree-law 193/2005, of 7 November, as amended from time to time (hereafter “**the special regime approved by Decree-law 193/2005**”), investment income and gains on the disposal of debt securities issued by Portuguese resident entities, such as the Notes, may be exempt from Portuguese income tax, provided that the debt securities are integrated in a centralised system managed by Portuguese resident entities (such as the Central de Valores Mobiliários, managed by Interbolsa), by other European Union or European Economic Area entities that manage international clearing systems (in the latter case if there is administrative co-operation for tax purposes with the relevant country which is equivalent to that in place within the European Union), or, when authorised by the member of the government in charge of finance (currently the Finance Minister), in other centralised systems and:

- (i) the beneficial owners have no residence, head office, effective management or permanent establishment in the Portuguese territory to which the income is attributable; and
- (ii) the beneficial owners are central banks and government agencies, international organisations recognised by the Portuguese state, residents in a country or jurisdiction with which Portugal has entered into a double tax treaty or a tax information exchange agreement in force or other non-resident entities which are not domiciled in a country, territory or region subject to a clearly more favourable tax regime included in the list approved by Ministerial order No. 150/2004 of 13 February.

The special regime approved by Decree-law 193/2005 sets out the detailed rules and procedures to be followed on the proof of non-residence by the holders of Notes to which it applies.

Under these rules, the direct register entity is to obtain and keep proof, in the form described below, that the beneficial owner is a non-resident entity that is entitled to the exemption. As a general rule, the proof of non-residence should be provided to, and received by, the direct register entities prior to the relevant date for payment of any interest, or the redemption date (for Zero Coupon Notes), and, in the case of domestically cleared Notes, prior to the transfer of Notes, as the case may be.

The following is a general description of the rules and procedures on the proof required for the exemption to apply at source, as they stand on the date of this Offering Circular.

(a) **Domestically Cleared Notes**

The beneficial owner of Notes must provide proof of non-residence in Portuguese territory substantially in the terms set forth below.

(i) If a holder of Notes is a central bank, a public law entity or agency or an international organisation recognised by the Portuguese state, a declaration of tax residence issued by the holder of Notes, duly signed and authenticated or proof pursuant to (ii) or (iv) below;

(ii) If the beneficial owner of Notes is a credit institution, a financial company, pension fund or an insurance company domiciled in any OECD country or in a country or jurisdiction with which Portugal has entered into a double taxation treaty or a tax information exchange agreement in force, and is subject to a special supervision regime or administrative registration, certification shall be made by means of the following: (A) its tax identification; or (B) a certificate issued by the entity responsible for such supervision or registration confirming the legal existence of the holder of Notes and its domicile; or (C) proof of non-residence, pursuant to the terms of paragraph (iv) below;

(iii) If the beneficial owner of Notes is either an investment fund or other type of collective investment undertaking domiciled in any OECD country or any country with which Portugal has entered into a double tax treaty, certification shall be provided by means of any of the following documents: (A) declaration issued by the entity which is responsible for its registration or supervision or by the tax authorities, confirming its legal existence and the law of incorporation; or (B) proof of non-residence pursuant to the terms of paragraph (iv) below;

(iv) In any other case, confirmation must be made by way of (A) a certificate of residence or equivalent document issued by the relevant tax authorities or, (B) a document issued by the relevant Portuguese consulate certifying residence abroad, or (C) a document specifically issued by an official entity of the public administration (either central, regional or peripheral, indirect or autonomous) of the relevant country certifying the residence; for these purposes, an identification document such as a passport or an identity card or document by means of which it is only indirectly possible to assume the relevant tax residence (such as a work or permanent residency permit) is not acceptable.

There are rules on the authenticity and validity of the documents mentioned in sub-paragraph (iv) above, in particular that the holder of Notes must provide an original or a certified copy of the residence certificate or equivalent document. This document must be issued up to until three months after the date on which the withholding tax would have been applied and will be valid for a 3 year period starting on the date such document is issued. The holder of Notes must inform the register entity immediately of any change that may preclude the tax exemption from applying. In the other cases, proof of non-residence is required only once, the beneficial owner having to inform the register entity of any changes that impact the entitlement to the exemption.

(b) **Internationally Cleared Notes**

If the Notes are registered in an account with an international clearing system, prior to the relevant date for payment of any interest or the redemption date (for Zero Coupon Notes), the entity managing such system is to provide to the direct register entity or its representative the identification and number of securities, as well as the income and, when applicable, the tax withheld, itemised by type of beneficial owner, as follows:

(i) Portuguese resident entities or permanent establishments of non-resident entities to which the income is attributable which are not exempt from tax and are subject to withholding tax;

(ii) Entities domiciled in a country, territory or region subject to a clearly more favourable tax regime included in the list approved by Ministerial order No. 150/2004, of 13 February which are not exempt from tax and are subject to withholding tax;



- (iii) Portuguese resident entities or permanent establishments of non-resident entities to which the income is attributable which are exempt from tax and are not subject to withholding tax;
- (iv) Other non-Portuguese resident entities.

In addition, the international clearing system managing entity is to provide to the direct register entity in relation to each income payment, at least the following information concerning each of the beneficiaries mentioned in sub-paragraphs (i), (ii) and (iii) above: name and address, tax identification number, if applicable, identification of the securities held and amount thereof and amount of income.

No Portuguese exemption shall apply at source under the special regime approved by Decree-law 193/2005 if the above rules and procedures are not followed. Accordingly, the general Portuguese tax provisions shall apply as described above.

If the conditions for an exemption to apply are met, but, due to inaccurate or insufficient information, tax is withheld, a special refund procedure is available under the regime approved by Decree-law 193/2005. The refund claim is to be submitted to the direct or indirect register entity of the Notes within six months from the date the withholding took place.

The refund of withholding tax after the above six-month period is to be claimed to the Portuguese tax authorities within two years from the end of the year in which tax was withheld. The refund is to be made within three months, after which interest is due.

The form currently applicable for the above purposes were approved by Order (“*Despacho*”) No. 2937/2014 of the Portuguese Secretary of State for Tax Affairs, published in the Portuguese official gazette, 2nd series, No. 37, of 21 February 2014 and may be available for viewing and downloading at [www.portaldasfinancas.gov.pt](http://www.portaldasfinancas.gov.pt).

## **2. Cayman Islands Taxation**

There are no income, corporation, capital gains or other direct taxes in effect in the Cayman Islands on the basis of present legislation. BCP Finance has received an undertaking from the Governor in Council of the Cayman Islands pursuant to the Tax Concessions Law 1999 Revision of the Cayman Islands that, for a period of 20 years from the date of the grant of the undertaking (being 28 April 1998), no law enacted in the Cayman Islands imposing any tax to be levied on profits, income or gains or appreciation shall apply to BCP Finance or its operations and no such tax or any tax in the nature of the estate duty or inheritance tax shall be payable by BCP Finance on or in respect of the shares, debentures, or other obligations of BCP Finance or by way of withholding in whole or in part of any payment of dividend or other distribution of income or capital by BCP Finance to its members or any payment of interest or principal or other sums due under a debenture or other obligation of BCP Finance.

## **3. United Kingdom Taxation**

**The following applies only to persons who are the beneficial owners of Notes and is a summary of the Issuer’s understanding of current United Kingdom law and published HM Revenue & Customs (“HMRC”) practice in the United Kingdom relating only to United Kingdom withholding tax treatment of payments of principal and interest in respect of Notes. It does not deal with any other United Kingdom taxation implications of acquiring, holding or disposing of Notes. The United Kingdom tax treatment of prospective Noteholders depends on their individual circumstances and may be subject to change in the future. Prospective Noteholders who may be subject to tax in a jurisdiction other than the United Kingdom or who may be unsure as to their tax position should seek their own professional advice.**

Payments of interest on the Notes may be made without withholding on account of United Kingdom income tax.

HMRC has powers, in certain circumstances, to obtain information about: payments derived from securities (whether income or capital); certain payments of interest (including the amount payable on the redemption of a deeply discounted security); and securities transactions.

The persons from whom HMRC can obtain information include: a person who receives (or is entitled to receive) a payment derived from securities; a person who makes such a payment (received from, or paid on behalf of another person); a person by or through whom interest is paid or credited; a person who effects or is a party to securities transactions (which includes an issue of securities) on behalf of others; registrars or administrators in respect of securities transactions; and each registered or inscribed holder of securities.

The information HMRC can obtain includes: details of the beneficial owner of securities; details of the person for whom the securities are held, or the person to whom the payment is to be made (and, if more than one, their respective interests); information and documents relating to securities transactions; and, in relation to interest paid or credited on money received or retained in the United Kingdom, the identity of the security under which interest is paid. HMRC is generally not able to obtain information (under its power relating solely to interest) about a payment of interest to (or a receipt for) a person that is not an individual. This limitation does not apply to HMRC's power to obtain information about payments derived from securities.

HMRC has indicated that it will not use its information-gathering power on interest to obtain information about amounts payable on the redemption of deeply discounted securities which are paid before 6 April 2014.

In certain circumstances the information which HMRC has obtained using these powers may be exchanged with tax authorities in other jurisdictions.

#### 4. Foreign Account Tax Compliance Act

Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 ("**FATCA**") impose a new reporting regime and potentially a 30% withholding tax with respect to certain payments to (i) any non-U.S. financial institution (a "**foreign financial institution**", or "**FFI**" (as defined by FATCA)) that does not become a "**Participating FFI**" by entering into an agreement with the U.S. Internal Revenue Service ("**IRS**") to provide the IRS with certain information in respect of its accountholders and investors or is not otherwise exempt from or in deemed compliance with FATCA and (ii) any investor (unless otherwise exempt from FATCA) that does not provide information sufficient to determine whether the investor is a U.S. person or should otherwise be treated as holding a "United States Account" of an Issuer (a "**Recalcitrant Holder**"). The Issuers are classified as FFIs.

The new withholding regime is now in effect for payments from sources within the United States and will apply to "foreign passthru payments" (a term not yet defined) no earlier than 1 January 2017. This withholding would potentially apply to payments in respect of (i) any Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued after the "grandfathering date", which is the date that is six months after the date on which final U.S. Treasury regulations defining the term foreign passthru payment are filed with the Federal Register, or which are materially modified after the grandfathering date and (ii) any Notes characterised as equity or which do not have a fixed term for U.S. federal tax purposes, whenever issued. If Notes are issued on or before the grandfathering date, and additional Notes of the same series are issued after that date, the additional Notes may not be treated as grandfathered, which may have negative consequences for the existing Notes, including a negative impact on market price.

The United States and a number of other jurisdictions have announced their intention to negotiate intergovernmental agreements to facilitate the implementation of FATCA (each, an "**IGA**"). Pursuant to FATCA and the "Model 1" and "Model 2" IGAs released by the United States, an FFI in an IGA signatory country could be treated as a "Reporting FI" not subject to withholding under FATCA on any payments it receives. Further, an FFI in an IGA jurisdiction generally would not be required to withhold under FATCA or an IGA (or any law implementing an IGA) (any such withholding being "**FATCA Withholding**") from payments it makes. Under each Model IGA, a Reporting FI would still be required to report certain information in respect of its accountholders and investors to its home government or to the IRS. The United States and Portugal have reached an agreement in substance on the terms of an IGA based largely on the Model 1 IGA. Portugal will be treated as having a Model 1 IGA in effect until 31 December, 2014, at which time an IGA (the "**US-Portugal IGA**") must be signed in order for Portugal to continue to be treated as an IGA jurisdiction. The United States and the Cayman Islands have entered into an IGA based largely on the Model 1 IGA (the "**US-Cayman IGA**").

The Issuers expect to be treated as Reporting FIs pursuant to the US-Portugal IGA and the US-Cayman IGA and do not anticipate being obliged to deduct any FATCA Withholding on payments they make. There can be no assurance, however, that the Issuers will be treated as Reporting FIs, or that they would in the future not be required to deduct FATCA Withholding from payments they make. Accordingly the Issuers and financial institutions through which payments on the Notes are made may be required to withhold FATCA Withholding if (i) any FFI through or to which payment on such Notes is made is not a Participating FFI, a Reporting FI, or otherwise exempt from or in deemed compliance with FATCA or (ii) an investor is a Recalcitrant Holder.

If an amount in respect of FATCA Withholding were to be deducted or withheld from interest, principal or other payments made in respect of the Notes, neither the Issuers nor any paying agent nor any other person would, pursuant to the conditions of the Notes, be required to pay additional amounts as a result of the deduction or withholding. As a result, investors may receive less interest or principal than expected.

Whilst the Notes are in global form and/or held within Euroclear and Clearstream, Luxembourg (together, the ICSDs) or cleared through Interbolsa, it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Notes by the Issuers, the Guarantor (as the case may be), any paying agent and any common depositary or common safekeeper, given that each of the entities in the payment chain between the Issuers and the participants in the ICSDs or Interbolsa is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an IGA will be unlikely to affect the Notes. The documentation expressly contemplates the possibility that Notes, other than Book Entry Notes, may go into definitive form and therefore that they may be taken out of the clearing systems. If this were to happen, then a non-FATCA compliant holder could be subject to FATCA Withholding. However, definitive Notes will only be printed in remote circumstances.

**FATCA is particularly complex and its application is uncertain at this time. The above description is based in part on regulations, official guidance and model IGAs, all of which are subject to change or may be implemented in a materially different form. Prospective investors should consult their tax advisers on how these rules may apply to the Issuers and to payments they may receive in connection with the Notes.**

## **5. The proposed financial transactions tax**

The European Commission has published a proposal for a Directive for a common financial transaction tax (“**FTT**”) in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the “**participating Member States**”).

The proposed FTT has very broad scope and could, if introduced in its current form, apply to certain dealings in Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under current proposals the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, “established” in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

The FTT proposal remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate. Prospective holders of Notes are advised to seek their own professional advice in relation to the FTT.

## **6. Withholding under the EU Savings Directive**

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of other Member States details of payments of interest (or income deemed

equivalent for these purposes) paid or secured by a person established in a Member State to or for the benefit of an individual resident in another Member State or certain limited types of entities established in another Member State.

On 24 March 2014, the Council of the European Union adopted a Council Directive amending and broadening the scope of the requirements described above. Member States are required to apply these new requirements from 1 January 2017.

On 15 April 2014, Council Directive 2014/48/EU of 24 March 2014 entered into force and amended Directive 2003/48/EC. Member States are to adopt the changes to comply with the amendments by 1 January 2016, which are to apply from 1 January 2017.

The changes will expand the range of payments covered by the Directive, in particular to include additional types of income payable on securities. The Directive will also expand the circumstances in which payments that indirectly benefit an individual resident in a Member State must be reported. This approach will apply to payments made to, or secured for, persons, entities or legal arrangements (including trusts) where certain conditions are satisfied, and may in some cases apply where the person, entity or arrangement is established or effectively managed outside of the European Union.

Among other changes, a “look-through approach” is to be applied to payments made to entities or legal arrangements established or having their place of effective management in countries or territories where Directive 2003/48/EC or measures to the same or equivalent effect do not apply, an indicative list of entities and legal arrangements in the third countries and jurisdictions concerned being provided.

For a transitional period, Luxembourg and Austria are required to operate a withholding system in relation to such payments. The changes referred to above will broaden the types of payments subject to withholding in those Member States which still operate a withholding system when they are implemented. In April 2013, the Luxembourg Government announced its intention to abolish the withholding system with effect from 1 January 2015, in favour of automatic information exchange under the Directive.

The end of the transitional period is dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries. A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

## CLEARING AND SETTLEMENT

*The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of Clearstream, Luxembourg, Euroclear or Interbolsa (together, the “Clearing Systems”) currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that the Issuers believe to be reliable, but neither the Arranger nor any of the Dealers takes any responsibility for the accuracy thereof. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Issuers, the Trustee, any agent party to the Agency Agreement, the Arranger or any of the Dealers will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.*

### **Euroclear and Clearstream, Luxembourg**

Euroclear and Clearstream, Luxembourg each holds securities for its customers and facilitates the clearance and settlement of securities transactions by electronic book entry transfer between their respective accountholders. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depositary and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream, Luxembourg customers are worldwide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an accountholder of either system.

### **Book Entry Notes Held Through Interbolsa**

#### *General*

Interbolsa holds security through a centralised system (“*sistema centralizado*”) composed by interconnected securities accounts, through which such securities (and inherent rights) are held and transferred, and which allows Interbolsa to control at all times the amount of securities so held and transferred. Issuers of securities, financial intermediaries, the Bank of Portugal, Caixa Geral de Depósitos, S.A. and Interbolsa, as the controlling entity, all participate in such centralised system.

The centralised securities system of Interbolsa provides for all procedures required for the exercise of ownership rights inherent to the Book Entry Notes held through Interbolsa.

In relation to each issue of securities, Interbolsa’s centralised system comprises, inter alia, (i) the issue account, opened by the relevant issuer in the centralised system and which reflects the full amount of issued securities; and (ii) the control accounts opened by each of the financial intermediaries which participate in Interbolsa’s centralised system, and which reflect the securities held by such participant on behalf of its customers in accordance with its individual securities accounts.

Book Entry Notes held through Interbolsa will be attributed an International Securities Identification Number (ISIN code) through the codification system of Interbolsa. These Book Entry Notes will be accepted and registered with Central de Valores Mobiliários, the centralised securities system managed and operated by Interbolsa and settled by Interbolsa’s settlement system.

#### *Form of the Book Entry Notes held through Interbolsa*

The Book Entry Notes of each Series will be in book entry form and title to the Book Entry Notes will be evidenced by book entries in accordance with the provisions of the Portuguese Securities Code and the applicable CMVM and Interbolsa regulations. No physical document of title will be issued in respect of Book Entry Notes held through Interbolsa.

The Book Entry Notes of each Series will be registered in the relevant issue account opened by the Issuer with Interbolsa and will be held in control accounts by each Interbolsa Participant (as defined below) on behalf of the holders of the Book Entry Notes. Such control accounts reflect at all times the aggregate of Book Entry Notes held in the individual securities accounts opened by the holders of the Book Entry Notes with each of the Interbolsa Participants. The expression “**Interbolsa Participant**” means any authorised financial intermediary entitled to hold control accounts with Interbolsa on behalf of their customers and includes any depositary banks appointed by Euroclear and Clearstream, Luxembourg for the purpose of holding accounts on behalf of Euroclear and Clearstream, Luxembourg.

Each person shown in the records of an Interbolsa Participant as having an interest in Book Entry Notes shall be treated as the holder of the principal amount of the Book Entry Notes recorded therein.

*Payment of principal and interest in respect of Book Entry Notes held through Interbolsa*

Whilst the Book Entry Notes are held through Interbolsa, payment of principal and interest in respect of the Book Entry Notes will be (i) credited, according to the procedures and regulations of Interbolsa, by the relevant Paying Agent (acting on behalf of the Issuer) to the payment current-accounts held in the payment system of the Bank of Portugal or Caixa Geral de Depósitos, S.A. as applicable by the Interbolsa Participants whose control accounts with Interbolsa are credited with such Book Entry Notes and thereafter (ii) credited by such Interbolsa Participants from the aforementioned payment current-accounts to the accounts of the owners of those Book Entry Notes or through Euroclear and Clearstream, Luxembourg to the accounts with Euroclear and Clearstream, Luxembourg of the beneficial owners of those Book Entry Notes, in accordance with the rules and procedures of Interbolsa, Euroclear or Clearstream, Luxembourg, as the case may be.

*Transfer of Book Entry Notes held through Interbolsa*

Book Entry Notes held through Interbolsa may, subject to compliance with all applicable rules, restrictions and requirements of Interbolsa and Portuguese law, be transferred to a person who wishes to hold such Book Entry Notes. No owner of Book Entry Notes will be able to transfer such Book Entry Notes, except in accordance with Portuguese Law and the applicable procedures of Interbolsa.

## SUBSCRIPTION AND SALE AND TRANSFER RESTRICTIONS

The Programme Dealers, pursuant to an amended and restated dealer agreement dated 14 August 2014 (as amended, restated or supplemented from time to time, the “**Dealer Agreement**”), have agreed with the Issuers on the terms upon which any one or more of the Programme Dealers may from time to time agree to purchase (as principal, unless the applicable Final Terms states otherwise) Notes. Any such agreement will extend to those matters stated under *Form of the Notes*; *Form of Final Terms*; and *Terms and Conditions of the Notes* above. In the Dealer Agreement, each Issuer, and in the event of default of such obligation by such Issuer, the Bank (for Notes issued by BCP Finance and guaranteed by the Bank acting through its Macao branch), has agreed to reimburse the Programme Dealers for certain of their expenses in connection with the establishment and any future update of the Programme and the issue of Notes under the Programme. Each Issuer may also agree to issue Notes to Issue Dealers who shall enter into the Dealer Agreement with such Issuer for the purpose only of a particular issue or issues of Notes under the Programme on, and subject to, the terms of the Dealer Agreement. Dealers will be entitled in certain circumstances to be released from their obligations under the Dealer Agreement in respect of the issue and purchase of Notes under the Programme.

### United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and Treasury regulations promulgated thereunder. The applicable Final Terms will identify whether TEFRA C rules or TEFRA D rules apply or whether TEFRA is not applicable.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver Notes (a) as part of their distribution at any time or (b) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Dealer or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager, of all Notes of the Tranche of which such Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Until 40 days after the commencement of the offering of any Series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

### Public Offer Selling Restriction under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”), each Programme Dealer has represented and agreed, and each further Programme Dealer or Issuer Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “**Relevant Implementation Date**”) it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the final terms in relation thereto to the public in that Relevant Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (a) if the final terms in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a “**Non-exempt Offer**”), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, provided that any such prospectus has subsequently been completed by the final terms contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;
- (b) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (c) at any time to fewer than 100 or, if the relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the relevant Issuer for any such offer; or
- (d) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (a) to (c) above shall require the relevant Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive, or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer of Notes to the public” in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression “**Prospectus Directive**” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression “**2010 PD Amending Directive**” means Directive 2010/73/EU.

## United Kingdom

Each Programme Dealer has represented and agreed, and each further Programme Dealer or Issue Dealer appointed under the Programme will be required to represent and agree, that:

- (a) in relation to any Notes issued by BCP Finance which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 (the “**FSMA**”) by BCP Finance;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue of any Notes in circumstances in which Section 21(1) of the FSMA does not or, in the case of the Guarantor, would not, if it was not an authorised person, apply to the Issuer or the Guarantor; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.



## The Cayman Islands

Each Programme Dealer has represented and agreed, and each further Programme Dealer or Issue Dealer appointed under the Programme will be required to represent and agree, that no invitation will be made to the Public in the Cayman Islands to purchase any Notes, whether directly or indirectly. “Public” for these purposes does not include a sophisticated person, a high net worth person, a company, partnership or trust of which the shareholders, unit holders or limited partners are each a sophisticated person, a high net worth person, any exempted or ordinary non-resident company registered under the Companies Law (2013 Revision) or a foreign company registered pursuant to Part IX of the Companies Law (2013 Revision) or any such company acting as general partner of a partnership registered pursuant to Section 9(1) of the Exempted Limited Partnership Law (2014 Revision) or any director or officer of the same acting in such capacity or the Trustee of any trust registered or capable of registering pursuant to Section 74 of the Trusts Law (as Revised).

## Portugal

Each Programme Dealer has represented and agreed, and each further Programme Dealer or Issue Dealer appointed under the Programme will be required to represent and agree, that the Notes may not be and will not be offered to the public in Portugal under circumstances which are deemed to be a public offer under the Portuguese Securities Code (“*Código dos Valores Mobiliários*”) enacted by Decree Law No. 486/99, of 13 November 1999, as amended, unless the requirements and provisions applicable to the public offerings in Portugal are met and the registration or approval by the Portuguese Securities Exchange Commission (“*Comissão do Mercado de Valores Mobiliários*”) (the “**CMVM**”) or a recognition procedure is made with the CMVM. In addition, each Programme Dealer has represented and agreed, and each further Programme Dealer or Issue Dealer appointed under the Programme will be required to represent and agree that (i) it has not directly or indirectly taken any action or offered, advertised, marketed, invited to subscribe, gathered investment intentions, sold or delivered and will not directly or indirectly take any action, offer, advertise, invite to subscribe, gather investment intentions, sell, re-sell, re-offer or deliver any Notes in circumstances which could qualify as a public offer (“*oferta pública*”) of securities pursuant to the Portuguese Securities Code, notably in circumstances which could qualify as a public offer addressed to individuals or entities resident in Portugal or having permanent establishment located in Portuguese territory, as the case may be; (ii) it has not distributed, made available or caused to be distributed and will not distribute, make available or cause to be distributed the Offering Circular or any other offering material relating to the Notes to the public in Portugal other than in compliance with all applicable provisions of the Portuguese Securities Code, any regulations implementing the Prospectus Directive, and any applicable CMVM Regulations and all relevant Portuguese securities laws and regulations, in any such case that may be applicable to it in respect of any offer or sale of Notes by it in Portugal or to individuals or entities resident in Portugal or having a permanent establishment located in Portuguese territory, as the case may be including the publication of a base prospectus, when applicable, and that such placement shall only be authorised and performed to the extent that there is full compliance with such laws and regulations.

## Italy

Unless it is specified within the relevant Final Terms that a non-exempt offer may be made in Italy, the offering of the Notes has not been registered pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor may copies of the Offering Circular or of any other document relating to the Notes be distributed in the Republic of Italy, except:

- (i) to qualified investors (*investitori qualificati*), as defined pursuant to Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (the Financial Services Act) and Article 34-ter, first paragraph, letter (b) of CONSOB Regulation No. 11971 of 14 May 1999, as amended from time to time (Regulation No. 11971); or
- (ii) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Article 34-ter of Regulation No. 11971.

Any offer, sale or delivery of the Notes or distribution of copies of the Offering Circular or any other document relating to the Notes in the Republic of Italy under (i) or (ii) above must be:

- (a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 16190 of 29 October 2007 (as amended from time to time) and Legislative Decree No. 385 of 1 September 1993, as amended (the Banking Act); and
- (b) in compliance with Article 129 of the Banking Act, as amended, and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may request information on the issue or the offer of securities in the Republic of Italy; and
- (c) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB or other Italian authority.

**WARNING - IN RELATION TO SECURITIES WITH A DENOMINATION OF LESS THAN EUR100,000 (OR EQUIVALENT) AND WHERE THE ISSUER IS NOT AN OECD MEMBER STATE WITH AN INVESTMENT GRADE RATING ASSIGNED BY AT LEAST TWO MAIN INTERNATIONAL RATING AGENCIES, PLEASE COMPLETE THIS SELLING RESTRICTION CLAUSE WITH THE FOLLOWING SENTENCE, LEAVING IT IN ITALICS:**

*Please note that in accordance with Article 100-bis of the Financial Services Act, where no exemption from the rules on public offerings applies under (i) and (ii) above, the subsequent distribution of the Notes on the secondary market in Italy must be made in compliance with the public offer and the prospectus requirement rules provided under the Financial Services Act and Regulation No. 11971. Failure to comply with such rules may result in the sale of such Notes being declared null and void and in the liability of the intermediary transferring the financial instruments for any damages suffered by the investors.*

## France

Each of the Dealers and the Issuers has represented and agreed that:

- (a) Public Offer in France:

It has only made and will only make a Public Offer of Notes in France in the period beginning (i) when a prospectus in relation to those Notes has been approved by the *Autorité des marchés financiers* (the “AMF”), on the date of such approval or, (ii) when a prospectus has been approved by the competent authority of another Member State of the European Economic Area which has implemented the Prospectus Directive, on the date of notification of such approval to the AMF, and ending at the latest on the date which is 12 months after the date of approval of the base prospectus all in accordance with Articles L.412-1 and L.621-8 of the French “*Code monétaire et financier*” and the “*Règlement général*” of the AMF; or

(b) Private placement in France:

In connection with their initial distribution, it has not offered or sold and will not offer or sell, directly or indirectly, Notes to the public in France, and has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, this Offering Circular, the relevant Final Terms or any other offering material relating to the Notes, and that such offers, sales and distributions have been and will be made in France only to (i) providers of investment services relating to portfolio management for the account of third parties and/or (ii) qualified investors (“*investisseurs qualifiés*”), other than individuals, and/or (iii) a restricted group of investors (“*cercle restreint d’investisseurs*”), all as defined in, and in accordance with, Articles L.411-1, L.411-2, D.411-1 and D.411-4 of the French “*Code monétaire et financier*”.

## Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended; the “**FIEA**”). Each Programme Dealer has agreed, and each further Programme Dealer or Issue Dealer appointed under the Programme will be required to represent and agree, that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

## General

Each Programme Dealer has agreed, and each further Programme Dealer or Issue Dealer appointed under the Programme will be required to agree, that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Offering Circular and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction, in particular **Australia**, **South Africa** and **Canada**, to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuers nor any Dealer shall have any responsibility therefor.

Neither the Issuers nor any Dealer represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, in particular Australia, South Africa and Canada, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

## GENERAL INFORMATION

### Authorisation

The establishment and update of the Programme have been duly authorised by resolutions of the Board of Directors of the Bank dated 3 September 1998, 9 November 1999, 20 November 2000, 7 December 2001, 16 December 2002, 14 November 2003, 12 November 2004, 7 December 2005, 11 September 2006, 2 April 2007, 22 April 2008, 21 April 2009, 19 April 2010 and 5 April 2011 and by resolutions of the Executive Committee of the Bank dated 19 June 2012, 2 July 2013 and 5 August 2014 and the increase in the Programme limit was authorised by resolutions of the Board of Directors of the Bank dated 9 November 1999, 20 November 2000, 7 December 2001, 14 November 2003, 12 November 2004, 7 December 2005, 11 September 2006 and 2 April 2007. The Board of Directors of BCP Finance duly authorised the establishment and update of the Programme and the issue of Notes under the Programme by resolutions dated 7 October 1998, 11 November 1999, 24 November 2000, 17 December 2001, 17 December 2002, 19 November 2003, 19 November 2004, 12 December 2005, 18 September 2006, 17 April 2007, 22 April 2008, 27 April 2009, 20 April 2010, 9 May 2011, 25 June 2012, 12 July 2013 and 12 August 2014, and the increase in the Programme limit by resolutions dated 11 November 1999, 24 November 2000, 17 December 2001, 19 November 2003, 19 November 2004, 12 December 2005, 18 September 2006 and 17 April 2007. The giving of the Guarantee has been duly authorised by resolution of the Board of Directors of the Bank dated 28 June 2013.

### Listing of Notes

The admission of Notes to the Official List will be expressed as a percentage of their nominal amount (excluding accrued interest). It is expected that each Tranche of Notes which is to be admitted to the Official List and to trading on the Irish Stock Exchange's regulated market will be admitted separately as and when issued, subject only to the issue of the relevant Note. Application has been made to the Irish Stock Exchange for the Notes issued under the Programme to be admitted to the Official List and to trading on the Irish Stock Exchange's regulated market.

### Documents Available

For the period of 12 months, following the date of this Offering Circular, physical copies of the following documents will, when published, be available throughout the life of the Programme from the registered office of each of the Issuers and from the specified office of the Paying Agents:

- (i) the constitutional documents (in English) of each Issuer;
- (ii) the published audited consolidated financial statements of the Banco Comercial Português Group in English and auditors' report contained in the Bank's Annual Report for the two financial years ended on 31 December 2012 and 31 December 2013;
- (iii) the most recently available audited consolidated financial statements of the Banco Comercial Português Group contained in the Bank's Annual Report and the most recently available published unaudited interim statements of the Bank;
- (iv) the published audited financial statements of BCP Finance in English and auditors' report contained in BCP Finance's Annual Report for the two financial years ended on 31 December 2012 and 31 December 2013 and the most recently available unaudited interim financial statements of BCP Finance (if any);
- (v) the Dealer Agreement, the Agency Agreement, the Instrument, and the Trust Deed (containing the forms of Temporary Bearer Global Notes, Permanent Bearer Global Notes, Notes in definitive form, Coupons and Talons from time to time issuable under the Programme);
- (vi) copy of this Offering Circular; and

- (vii) any future offering circulars, prospectuses, information memoranda, supplements and Final Terms to this Offering Circular and any other documents incorporated herein or therein by reference.

The information mentioned in paragraphs (i) to (iii) above represent an accurate translation from their original Portuguese form. In the event of a discrepancy the original Portuguese version will prevail.

### **Clearing Systems**

The Bearer Notes have been accepted for clearance through Clearstream, Luxembourg and Euroclear. The appropriate common code and ISIN for each Tranche of Bearer Notes allocated by Clearstream, Luxembourg and Euroclear will be specified in the applicable Final Terms.

The Book Entry Notes will be accepted for clearance through Interbolsa. The appropriate ISIN for each Tranche of Book Entry Notes will be specified in the applicable Final Terms.

If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Final Terms.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels. The address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

The address of Interbolsa is Avenida da Boavista, 3433-4100 Oporto.

### **Conditions for determining price**

The price and amount of Notes to be issued under the Programme will be determined by the Issuer and each relevant Dealer at the time of issue in accordance with prevailing market conditions.

### **Yield**

In relation to any Tranche of Fixed Rate Notes, an indication of the yield in respect of such Notes will be specified in the applicable Final Terms. The yield is calculated at the Issue Date of the Notes on the basis of the relevant Issue Price, using the formula set out below. The yield indicated will be calculated as the yield to maturity as at the Issue Date of the Notes and will not be an indication of future yield.

$$P = \frac{C}{r}(1 - (1 + r)^{-n}) + A(1 + r)^{-n}$$

Where:

“P” is the Issue Price of the Notes;

“C” is the annualised amount of interest payable;

“A” is the principal amount of Notes due on redemption;

“n” is time to maturity in years; and

“r” is the annualised yield.

### **Significant or Material Change**

There has been no significant change in the financial or trading position of the Banco Comercial Português Group since 31 March 2014. There has been no material adverse change in the prospects of the Bank or Banco Comercial Português Group since the date of the last audited annual accounts, 31 December 2013.

There has been no significant change in the financial or trading position of BCP Finance since 31 December 2013. There has been no material adverse change in the prospects of BCP Finance since the date of the last audited accounts, 31 December 2013.

## Litigation

1. As mentioned in note 54 to the 2014 Interim Consolidated Financial Statements of 31 March 2014 of the Bank, quoting:

“At the end of the year 2007, the Bank received a formal notice dated 27 December 2007 informing that administrative proceedings no. 24/07/CO were brought by the Bank of Portugal against the Bank and against seven former Directors and two Managers, “based on preliminary evidence of administrative offences foreseen in the General Framework of Credit Institutions and Financial Companies (approved by Decree-Law no. 298/92, 31 December), in particular with respect to breach of accounting rules, provision of false or incomplete information to the Bank of Portugal, in particular in what respects to the amount of own funds and breach of prudential obligations”.

A press release issued by the Bank of Portugal on 28 December 2007 mentioned that such administrative proceedings were initiated “based on facts related with 17 off-shore entities, whose nature and activities were always hidden from the Bank of Portugal, in particular in previous inspections carried out”.

On 12 December 2008, the Bank was notified of an accusation under administrative proceedings no. 24/07/CO instructed by the Bank of Portugal, in which this Authority charges the Bank and the other defendants, with the practice of six administrative offences regulated by paragraph g) and three administrative offences regulated by paragraph r) of article 211 of the Legal Framework for Credit Institutions and Financial Companies (LFCIFC).

The offences, should the charges be proven true, could be the following:

Failure to comply with the applicable accounting rules, determined by law or by the Bank of Portugal, that does not cause serious damage to the knowledge of the company’s assets and financial standing is an administrative offence regulated in article 210 (f) of the LFCIFC, whereby companies are punished by a fine between Euros 750 and Euros 750,000. However, if such conduct causes serious damages, it may become the offence regulated by article 211 (g) of the LFCIFC, whereby companies are punished by a fine between Euros 2,500 and Euros 2,494,000; and

(i) the omission of information and communications to the Bank of Portugal, within the due deadlines or (ii) the provision of incomplete information are offences regulated by article 210 (h - presently amended to i) of the LFCIFC, whereby companies are punished by a fine between Euros 750 and Euros 750,000. However, (i) the provision of false information or (ii) of incomplete information to the Bank of Portugal that may lead to wrongful conclusions with the same or similar effect as false information regarding that subject are offences regulated by article 211 (r) of the LFCIFC, whereby companies are punished by a fine between Euros 2,500 and Euros 2,494,000.

According to the accusation, each offence is punishable by a fine between Euros 2,493.99 and Euros 2,493,989.49, and pursuant to the rules on accrued offences, defined in article 19 (1 and 2), of the Portuguese legal regime on administrative offences (Regime Geral das Contra-Ordenações), in case of conviction for several offences, there shall be a single fine, the maximum amount of which cannot surpass twice the highest limit of the accrued offences.

On March 2009, the Bank did not accept the charges or accusations made and provided defence under these administrative proceedings within due term.

On 12 May 2010, the Bank was notified of the contents of the decision that, within the scope of the proceedings, was issued by the Board of Directors of the Bank of Portugal, applying to it, as primary sanction, a single fine of Euros 5,000,000.

Different fines were applied to the remaining defendants as primary sanctions, globally amounting to Euros 4,470,000. The Board of Directors of the Bank of Portugal decided to withdraw the charges relating to a former Director and a Manager.

The Bank objected to this decision and was informed of the decision to accept the legal objections presented by all the defendants.

The trial hearing began in April 2011 and in September, the Court heard one of the witnesses, in order to better appraise the validity of the documentation provided with the claims and their eventual nullity as evidence due to violation of banking secrecy.

After the hearing, the Court issued a decision dated of 7 October 2011 declaring that the evidence was null and therefore the entire process was annulled.

The Public Prosecutor and the Bank of Portugal appealed this decision. The Bank and other defendants presented their counter-claim.

On 5 July 2012, the Bank was notified of the decision of the Tribunal da Relação de Lisboa (Lisbon court of appeals) which approved the appeals presented by the Bank of Portugal and by the Public Prosecution, and revoked the decision appealed, determining that, “there being no other reason not to, the trial hearing shall be continued and at the appropriate moment, a decision will be made based on the evidence”.

Several defendants (natural persons) presented an appeal to the Constitutional Court.

Pursuant to a summary judgement adopted on 20 March 2013, the Constitutional Court rejected the appeals brought by the defendants, stating that those appeals did not comply with the respective requirements.

On 29 May 2013, the Constitutional Court did not accept the claims presented in the meantime by some of the defendants (natural persons), confirming the decision on which the claim was presented and the proceedings were given to the lower Stage Court for the scheduling of the trial.

Pursuant to a decision made on 27 February 2014, the “Tribunal de Pequena Instância Criminal de Lisboa” (court of Lisbon for minor criminal offences) scheduled a date (31 March 2014) to resume the court hearing for debate and judgement and decided to bar all offences imputed to one former Director of BCP, due to the statute of limitations. In what specifically concerns BCP, the “Tribunal de Pequena Instância Criminal de Lisboa” (court of Lisbon for minor criminal offences) decided to bar two administrative offences imputed to it, (alleged forging of accounting records) due to the statute of limitations.

By a decision issued on 2 April 2014, the administrative proceeding brought against one of the defendant, was declared as having reached the statute of limitations regarding all the offences imputed to him.”

The court hearing for debate and sentence was resumed at Tribunal de Pequena Instância Criminal de Lisboa (court of Lisbon for minor criminal offences) and several hearings took place.

The Public Prosecutor, the Bank of Portugal and all the defendants, including the Bank, have already presented their final arguments.

The judgement is expected to occur until the end of the summer of 2014.

2. As mentioned in note 54 to the 2014 Interim Consolidated Financial Statements of 31 March 2014 of the Bank, quoting:

“On July 2009, the Bank was notified of the accusation brought about by the Public Prosecutor in a criminal process against five former members of the Board of Directors of the Bank, related mainly to the above mentioned facts, and to present in this process a request for an indemnity.

Considering this notification, and although considering as reproduced the contents of the defence presented in the above mentioned administrative proceedings, the Bank decided, in order to avoid any risk of a future allegation of loss of the right to an indemnity that may occur if no recourse is presented in this process, to present legal documentation claiming: (i) the recognition of its right, in a later period namely following the final identification of the facts, to present a separate process in civil courts requesting an indemnity and (ii) additionally and cautiously, if the right to the request of a separate indemnity process in civil courts is not recognised, a civil indemnity according to the facts and terms mentioned in the accusation, if they are proven.

On 19 July 2011 the Bank was notified of the decision of the 8ª Vara Criminal de Lisboa (Lisbon criminal court section) that recognised that the Bank could present an eventual request for civil indemnity separately. One of the Defendants appealed this decision to the Court of Appeals, which was admitted by the first instance court but has a merely devolutive effect, being passed to the higher court only with the eventual appeal of the first instance Court's sentence.

Through a sentence issued on 2 May 2014, three of the four defendants were sentenced to suspended prison sentences (to 2 years) and to the payment of fines amounting to Euros 300,000 and 600,000, disqualification for the exercise of banking functions and publication of the sentence in a widely-read newspaper.”

Appeals have been filed against the court decision, which therefore has not yet become final.

3. As mentioned in note 54 to the 2014 Interim Consolidated Financial Statements of 31 March 2014 of the Bank, quoting:

“On 22 June 2012, three companies controlled by the same physical person, the Ring Development Corp., the Willow Securities Inc., and the Lisop Sociedade de Serviços Investimentos e Comércio de Imobiliários Lda. (the “Plaintiffs”) brought forward a lawsuit in the courts of Lisbon against Banque Privée BCP (Suíça) S.A. and the Bank requesting: (i) compensation for an unspecified amount, but always above Euros 40 millions, for alleged damages and (ii) that certain loan agreements established between the Plaintiffs and Banque Privée BCP (Suisse) S.A. in 2008, amounting to a total of around Euros 80 million be declared null but without the subsequent legal duty to return the funds borrowed. Notwithstanding the fact that the agreements are ruled by Swiss law, the Plaintiffs based their request for the agreements to be declared null on an alleged violation of the provisos of the Portuguese Companies Code, stating that the loan agreements were made to enable the Plaintiffs to purchase shares of the Bank and on the fact that they had been forced to enter into the same. The Plaintiffs based their compensation request on alleged losses incurred due to the fact that Banque Privée BCP (Suisse) S.A. triggered the agreements’ clause, selling the listed shares given as pledge at base prices, as foreseen in the loan agreements, and that the Plaintiffs were not given the possibility to continue to trade the pledged assets after the execution.

The loan agreements are ruled by Swiss Law and subject to the jurisdiction of the Swiss courts and the Bank was informed that, according to Swiss law, the Plaintiffs’ request is not likely to be granted.

Since the Bank believes that the Plaintiffs’ request has no grounds, the Bank did not make any provisions regarding this litigation.

On 29 October 2012, the Bank presented its arguments. Banque Privée BCP (Suisse) S.A. requested that the citation be considered null; the request was accepted and an order was issued for the repetition of the citation, and the same was repeated on 8 January 2013.”

Banque Privée presented its arguments on 11 March 2013. On 10 January 2014, the parties presented their evidence requests and BCP and Banque Privée presented on 23 January 2014 their replies to the Plaintiff's evidence requests.

On 4 July 2014, the parties presented a joint application to the court where (i) the Plaintiffs withdrew their claims, (ii) the parties agreed that Lisop would be fully responsible for the payment of the judicial fees, (iii) the Banks renounced to the payment by the Plaintiffs of their own legal costs (judicial fees, lawyers’ fees and expenses) and (vi) the parties requested the Court to waive the payment of the remaining judicial costs.

On 8 July 2014, the court issued a final decision homologating the Plaintiffs’ request to drop their claims and the parties’ agreement regarding judicial fees and accepted the parties request to waive the payment of the remaining judicial costs.

4. In December of 2013, the company Sociedade de Renovação Urbana Campo Pequeno, S.A., in which the Bank holds a 10% stake as a result of a conversion of credits, has filed an action for EUR 75,735,026.50 against the Bank in order to obtain (i) the acknowledgement that a loan agreement entered into by such company and the Bank on 29 May 2005 constitutes a shareholders loan instead of a pure bank loan; (ii) the reimbursement of the loaned amount to be made according to the existent shareholders agreement; (iii) the nullification of several



mortgages established in favour of the defendant between 1999 and 2005 and (iv) the statement of non-existence of a debt related represented by a promissory note (held by the company) acting as security. The action currently awaits a court order to present the evidence requests and scheduling of the preliminary hearing. The Bank believes that, having in consideration the facts argued by the plaintiff, the suit shall be deemed unfounded.

5. In 2012, the Portuguese Competition Authority initiated an administrative proceeding relating to competition restrictive practices. During the investigations, on 6 March 2013, several searches were conducted of Bank's premises, as well as to at least eight other credit institutions, where documentation was seized in order to investigate allegations of exchange of privileged commercial information among Portuguese banks. The Portuguese Competition Authority has declared the administrative proceeding to stay under judicial secrecy, once it considered that the interests dealt with in the investigation, as well as the parties' rights, would not be compatible with the publicity of the process. Until this date, the Bank has not received any accusation or notice of illegality. If the Portuguese Competition Authority renders a final decision declaring that the Bank engaged in anticompetitive practices, the law provides that the Bank may be ordered to pay a fine of up to 10% of its consolidated annual turnover in the year preceding the decision, although such decision may be challenged in court.

Save as disclosed in this section entitled "Litigation" there are no, nor have there been any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the 12 months before the date of this document which may have or have had in the recent past a significant effect on the financial position or profitability of either of the Issuers or the Group.

#### **Auditors**

The consolidated financial statements of the Banco Comercial Português Group for the financial years ended on 31 December 2012 and 31 December 2013 were prepared in accordance with International Financial Reporting Standards. The financial statements of the Banco Comercial Português Group were audited in accordance with International Standards on Auditing for each of the two years ended 31 December 2012 and 31 December 2013 by KPMG & Associados, SROC, S.A., independent certified public accountants and a member of the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas").

All financial information in this Offering Circular relating to the Bank for the years ended on 31 December 2012 and 31 December 2013 has been extracted without material adjustment from the audited financial statements of the Bank for the financial years then ended.

The financial statements of BCP Finance for each of the financial years on 31 December 2012 and 31 December 2013 were prepared in accordance with International Financial Reporting Standards and audited in accordance with International Standards on Auditing by KPMG independent certified public accountants.

The Trust Deed provides that the Trustee may rely on certificates or reports from the Auditors or any other expert or other person in accordance with the provisions of the Trust Deed whether or not any such certificate or report or any engagement letter or other document entered into by the Trustee and the Auditors or any other expert or other person in connection therewith contains any limit on the liability of the Auditors or any other expert or other person.

#### **Dealers transacting with the Issuer and the Bank**

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Issuer, the Bank and their affiliates in the ordinary course of business. They have received, or may in the future receive, customary fees and commissions for these transactions. In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer, the Bank or their affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuer or the Bank routinely hedge their credit exposure to the Issuer or the Bank in a way consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into

transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such short positions could adversely affect future trading prices of Notes issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments. For the purposes of this paragraph, the term “**affiliates**” includes parent companies.

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