



## **Banco Comercial Português, S.A.**

(Incorporated with limited liability under the laws of Portugal)

### **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
Goldman Sachs International	HSBC	J.P. Morgan
Mediobanca – Banca di Credito Finanziario S.p.A.	Millennium Investment Banking	Morgan Stanley
NatWest Markets	Société Générale Corporate & Investment Banking	UBS Investment Bank

The date of this Offering Circular is 17 November 2017

This offering circular (the "**Offering Circular**") replaces and supersedes the Offering Circular dated 16 February 2017 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 the Prospectus Directive. When used in this Offering Circular, "**Prospectus Directive**" means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and, where the context so requires in this section, shall include any relevant implementing measure in a relevant Member State of the European Economic Area.

The Bank (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 the Bank (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.

No 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 as to the accuracy or completeness of the information contained or incorporated by reference in this Offering Circular or any other information provided by the Bank in connection with the Programme. No Dealer accepts any liability in relation to the information contained or incorporated by reference in this Offering Circular or any other information provided by 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 the Bank or any Dealer.

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 the Bank or any Dealer 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 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 the Bank or any Dealer to any person to subscribe for or to purchase any Notes.

Under the EUR25,000,000,000 Euro Note Programme (the "**Programme**"), Banco Comercial Português, S.A. (the "**Bank**", "**BCP**", "**Banco Comercial Português**", "**Millennium investment banking**", "**Millennium bcp**" or "**Issuer**") may from time to time issue notes denominated in any currency (subject to such currency being accepted by Interbolsa (as defined below)) agreed between the Issuer and the relevant Dealer (as defined herein) in book entry form ("**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**").

The Final Terms for each Tranche of Notes will state whether the Notes of such Tranche are to be (i) senior Notes ("**Senior Notes**") or (ii) subordinated Notes ("**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).

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 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, as amended, and/or that are to be offered to the public in any member state of the European Economic Area in circumstances that require the publication of a prospectus.

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, as amended.

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 Listing 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, other than those Notes having a maturity of less than 365 days, 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 "B3" (in respect of Notes issued on a subordinated basis ("**Subordinated Notes**")) by Moody's Investors Service España, S.A. ("**Moody's**"), "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) and "B-" (in respect of Subordinated Notes) by Standard & Poor's Credit Market Services Europe Limited Sucursal en España ("**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 Ltd. ("**Fitch**") and "BB (high)/R-3" (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 (low)" (in respect of Subordinated Notes) by DBRS Ratings Limited ("**DBRS**"). Each of Moody's, Standard & Poor's, Fitch and DBRS 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, Fitch and DBRS are included in the list of credit rating agencies published by the European Securities and Markets Authority on its website (at <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>) in accordance with the CRA Regulation.

Tranches of Notes issued under the Programme may be rated by any one or more of the rating agencies referred to above 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 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 2015 and 31 December 2016 has been extracted without material adjustment from the audited financial statements of the Bank for the financial years then ended.

The 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 (including any depositary banks appointed by Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**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 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 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 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 expressly do not undertake to review the financial condition or affairs of the Bank during the life of the Programme or to advise any Investor in the Notes issued under the Programme of any information coming to their attention. Investors should review, amongst other things, the most recent financial statements, if any, of 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 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"* below and provided such person complies with the conditions attached to that consent.

Save as provided above, the Issuer and the Dealers have not authorised, nor do they authorise, the making of any Public Offer of Notes in circumstances in which an obligation arises for the 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 Issuer accepts 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.

Neither the Issuer nor 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 neither the Issuer nor any Dealer has any responsibility or liability for the actions of that Authorised Offeror.

**Except in the circumstances set out in the following paragraphs, the Issuer has not authorised the making of any Public Offer by any offeror and the Issuer has not 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 Issuer is unauthorised and the Issuer and, for the avoidance of doubt, the Dealers do not accept 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 Issuer consents 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 in any Public Offer Jurisdiction during the relevant Offer Period stated in the applicable Final Terms 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; and
  - (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) Part B of the applicable Final Terms specifies "General Consent" as "Applicable", the 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 in any Public Offer Jurisdiction during the relevant Offer Period stated in the applicable Final Terms 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, as amended); 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. (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 Issuer, 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 or directly to the appropriate authorities with jurisdiction over the Issuer and/or the relevant Dealer in order to enable the Issuer and/or the relevant Dealer to comply with anti-money laundering, anti-bribery, anti-corruption and *know your client* Rules applying to the Issuer and/or the relevant Dealer, as the case may be;
- (VII) ensure that it does not, directly or indirectly, cause the Issuer or the relevant Dealer to breach any Rule or subject the Issuer or the relevant Dealer to any requirement to obtain or make any filing, authorisation or consent in any jurisdiction;
- (VIII) immediately inform the Issuer 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 the Issuer and the relevant Dealer do not accept any responsibility for such communication and (C) does not, without the prior written consent of the Issuer or the relevant Dealer (as applicable), use the legal or publicity names of the Issuer 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 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 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 and the relevant Dealer in providing such information (including, without limitation, documents and records maintained pursuant to paragraph (VI) above) and such further assistance as is reasonably requested upon written request from the Issuer or the relevant Dealer. For this purpose, relevant information is information that is available to or can be acquired by the relevant financial intermediary:

- (i) in connection with any request or investigation by the Central Bank or any other regulator in relation to the Notes, the Issuer or the relevant Dealer; and/or
- (ii) in connection with any complaints received by the Issuer and/or the relevant Dealer relating to the Issuer 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 or the relevant Dealer may reasonably require from time to time in relation to the Notes and/or so as to allow the Issuer 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 the relevant 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 the Issuer and the relevant Dealer (in each case on behalf of such entity and its respective directors, officers, employees, agents, affiliates and controlling persons (each a “**Relevant Party**”)) 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 or the relevant Dealer. Neither the Issuer nor any Dealer shall have any duty or obligation, whether as fiduciary or trustee for any Relevant Party or



otherwise, to recover any such payment or to account to any other person for any amounts paid to it under this provision; and

(C) agrees and accepts that:

- (I) the contract between the Issuer and the relevant financial intermediary formed upon acceptance by the relevant 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 paragraph (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 relevant financial intermediary submit to the exclusive jurisdiction of the English courts;
- (III) for the purposes of paragraphs (II) and (IV) herein, the Issuer and the relevant 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 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) 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 (a) above if Part B of the applicable Final Terms specifies "General Consent" as "Applicable") that such consent:

- (a) is only valid during the Offer Period specified in the applicable Final Terms; and
- (b) 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 paragraph (b) 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.

**IMPORTANT – EEA RETAIL INVESTORS** - If the Final Terms in respect of any Notes include a legend entitled "*Prohibition of Sales to EEA Retail Investors*", the Notes are not intended, from 1 January 2018, to be offered, sold or otherwise made available to and, with effect from such date, should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU ("**MiFID II**"); (ii) a customer within the meaning of Directive 2002/92/EC, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive. Consequently no key information document required by Regulation (EU) No. 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

#### **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. THE ISSUER AND, FOR THE AVOIDANCE OF DOUBT, THE DEALERS (EXCEPT WHERE A DEALER IS THE RELEVANT AUTHORISED OFFEROR) HAVE NO 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. Neither the Issuer nor the Dealers 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 Issuer or the Dealers 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, the Republic of Italy and France) and Japan, 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:

- (a) 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;
- (b) 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;
- (c) 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;
- (d) understands thoroughly the terms of the Notes and is familiar with the behaviour of financial markets; and
- (e) 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 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 (i) Notes are legal investments for it, (ii) Notes can be used as collateral for various types of borrowing and (iii) 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, as defined in Regulation S under the Securities Act, unless an exemption from the registration requirements of the Securities Act

is available and in accordance with all applicable securities law of any state of the United States and any other jurisdiction (see "*Subscription and Sale and Transfer Restrictions*" below).

All references in this Offering Circular to (A) "**U.S. dollars**", "**USD**", "**U.S.\$**", "**\$**" and "**U.S. cent**" refer to the currency of the United States of America, (B) "**Sterling**", "**GBP**" and "**£**" refer to the currency of the United Kingdom, and (C) "**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 "**Stabilisation Manager(s)**") (or persons acting on behalf of any Stabilisation 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, stabilisation may not necessarily occur. 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 cease 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 Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.

#### **CAUTIONARY STATEMENT REGARDING FORWARD LOOKING STATEMENTS**

Some statements in this Offering Circular and certain documents incorporated by reference herein may be deemed to be forward looking statements. Forward looking statements include statements concerning the Issuer's plans, objectives, goals, strategies, future operations and performance and the assumptions underlying these forward looking statements. When used in this Offering Circular, the words "anticipates", "estimates", "expects", "believes", "intends", "plans", "aims", "seeks", "may", "will", "should" and any similar expressions generally identify forward looking statements. These forward looking statements are contained in the sections entitled "Risk Factors" and "Description of the Business of the Group" and other sections of this Offering Circular. By their nature, forward looking statements involve risk and uncertainty because they relate to future events and circumstances. The Issuer has based these forward looking statements on the current view of its management with respect to future events and financial performance. Although the Issuer believes that the expectations, estimates and projections reflected in its forward looking statements are reasonable as of the date of this Offering Circular, if one or more of the risks or uncertainties materialise, including those identified below or which the Issuer has otherwise identified in this Offering Circular, or if any of the Issuer's underlying assumptions prove to be incomplete or inaccurate, the Issuer's actual results of operation may vary from those expected, estimated or predicted.

The risks and uncertainties referred to above include:

- the Issuer's ability to achieve and manage the growth of its business;
- the performance of the markets in Portugal and the wider region in which the Issuer operates;
- the Issuer's ability to realise the benefits it expects from existing and future projects and investments it is undertaking or plans to or may undertake;
- the Issuer's ability to obtain external financing or maintain sufficient capital to fund its existing and future investments and projects;
- changes in political, social, legal or economic conditions in the markets in which the Issuer and its customers operate; and

- actions taken by the Issuer's joint venture partners that may not be in accordance with its policies and objectives.

Any forward looking statements contained in this Offering Circular speak only as at the date of this Offering Circular. Without prejudice to the Issuer's obligations under applicable laws and regulations in relation to disclosure and ongoing information, the Issuer expressly disclaims any obligation or undertaking to disseminate after the date of this Offering Circular any updates or revisions to any forward looking statements contained in it to reflect any change in expectations or any change in events, conditions or circumstances on which any such forward looking statement is based.

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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 and the Issuer. 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 explaining why it is 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 Directive 2003/71/EC (as amended) (the "Prospectus Directive") to publish a prospectus. Any such offer is referred to as a "<b>Public Offer</b>".</p> <p><b>Issue-specific summary:</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. (<a href="http://www.millenniumbcp.pt">www.millenniumbcp.pt</a>) 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, as amended) 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 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>



Element	
	<p><i>Offer period:</i> The Issuer's consent referred to above is given for Public Offers of Notes during [<i>offer period for the issue to be specified here</i>] (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 [<i>specify each Relevant Member State in which the particular Tranche of Notes can be offered</i>] and (c) [<i>specify any other conditions applicable to the Public Offer of the particular Tranche, as set out in the Final Terms</i>].</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 – Issuer

Element	Title	
<b>B.1</b>	Legal and commercial name of the Issuer	Banco Comercial Português, S.A. (" <b>BCP</b> ", the " <b>Bank</b> " or the " <b>Issuer</b> ")
<b>B.2</b>	Domicile/ legal form/ legislation/ country of incorporation	BCP is a limited liability company incorporated and domiciled in Portugal under the Portuguese Companies Code and Decree-Law No. 298/92 of 31 December ( <i>Regime Geral das Instituições de Crédito e Sociedades Financeiras</i> ) (as amended from time to time, the " <b>Banking Law</b> ").
<b>B.4b</b>	Trend information	<p>During the first six months of 2017 the Portuguese banks continued to develop their activities within a challenging environment, in spite of the boost in economic growth. Banks are operating within a context of very low interest rates, exerting pressure on financial margins. Moreover, the Portuguese banks have a significant number of non-interest bearing assets on their balance sheets. The Banco de Portugal's forecasts for the Portuguese economy in the 2017-19 time frame point towards the recovery of economic activity at a quicker pace than in the last few years. Gross Domestic Product ("<b>GDP</b>") is expected to grow on average 2.5% in 2017, 2.0% in 2018 and 1.8% in 2019. At the end of this period, GDP levels are expected to stand slightly above the figures recorded before the world financial crisis began in 2008. In addition, the growth rate throughout the forecast period should be higher than that of the euro area, according to the European Central Bank's ("<b>ECB</b>") forecasts. Currently there are two rating agencies (DBRS and Standard &amp; Poor's) that rate the Portuguese Republic as investment grade. According to the Banco de Portugal, the funding operations made by the Portuguese banks with the ECB fell to EUR 22.3 billion in June 2017, consistent with the general trend since the second half of 2013. These figures show an improvement in the liquidity position of the domestic banks which has benefited from a resilient performance from deposits, namely from individuals. Moreover, the deleveraging of the Portuguese financial sector continues and the total credit to individuals and to companies decreased 4.0% year on year, as of June 2017. Loans granted by Millennium bcp have continued to diminish, in a context of deleveraging of the non-financial sectors of the economy, resulting in a fall in demand for credit. At the same time, deposits also continued to grow despite the fact that the bank let go of some</p>

Element	Title	
		<p>institutional deposits requiring higher remuneration, complying with a policy for the preservation of the financial margin. Over the upcoming months, the expectation is that these trends will continue, and it is highly likely that the credit/deposit ratio will continue to fall, together with the maintenance of funding from the ECB under EUR 4 billion. The maintenance of very low money market interest rates is contributing to the decrease of the spread on term deposits of the Portuguese banks, a trend that persisted in the first half of 2017, more than offsetting the lower spreads for credit. The price effect on the financial margin should continue to be globally positive, reflecting the improvement of the interest margin on operations with customers. Nevertheless, the continued reduction in credit granted (volume effect) will probably continue to condition the financial margin. The Millennium bcp group has a relevant exposure to Poland where there are risks due to legislative amendments that impact the Polish financial system. The plan that has been recently presented to solve the issue of the conversion of loans in Swiss francs in Poland entails a quarterly contribution of 0.5% (2% annually) on the mortgage loans in a foreign currency into a new restructuring fund for a long period of time. The objective is to promote the conversion of the loans into zloty. There are still some risks connected with the economic context experienced by some African countries, with potential impact on the Group, particularly in Angola and in Mozambique, whose economic activity is decelerating and which faced a significant depreciation of their currencies in 2016. The continuous improvement in core income<sup>1</sup> as well as the continuation of the restructuring and reduction of costs should play a positive role and contribute to the improvement of the 2017 results, though conditioned by the economic picture. Management is intensely focused on the stock of problematic assets and respective hedging levels, and measures should be adopted to reduce these assets, together with other preventive measures, to be applied within the scope of prudential supervision and targeted at new Non-Performing Loans so as to foster a more pro-active management of them, including measures to remove the blocking factors in legal, judicial and tax systems. The Bank has an ongoing plan for reducing Non-Performing Exposures to around EUR 7.5 billion at the end of 2017, which compares to EUR 12.8 billion at the end of 2013. It is not yet possible to determine what will be the final impact of the resolution of Banco Espírito Santo, S.A. on Millennium bcp as an institution participating in the resolution fund created by Decree Law No.31-A/2012, of 10 February (“<b>Resolution Fund</b>”) which holds the entire share capital of Novo Banco, S.A. (“<b>Novo Banco</b>”), valued on 31 December 2015 at EUR 4.9 billion (consisting of EUR 3.9 billion financed by a State loan, plus EUR 700 million obtained by loans granted by several banks, with the remainder funds that were already in the Resolution Fund). In March 2017, the conditions for loans granted by the Portuguese state to the Resolution Fund were changed. The maturity of the loans was revised to December 2046, with a view that annual payment due to the lenders is met by the income from the regular contribution charged to the banking sector, keeping the banks' contributions substantially unchanged at their current level and preventing the need to ask the banking sector for special contributions or any other type of extraordinary contribution. On 1 September 2017, BCP announced that, after having conveyed reservations regarding the contingent capitalisation obligation by the Portuguese Resolution Fund which was announced to be included in a sale agreement of Novo Banco, it had decided, in light of the legal deadline and as a precaution, to promote administrative legal proceedings with a view that it is subject to judicial review. This process, which is centred exclusively on the capitalisation obligation referred to above, does not entail the suspension of the sale of Novo Banco, S.A. which was completed on 18 October 2017. Directive No. 2014/59/EU (the “<b>BRRD</b>”) foresees a joint resolution regime in the European Union enabling the authorities to cope with the insolvency of bank institutions. The shareholders and creditors will have to internalise an important part of the costs associated with the insolvency of a bank, minimising taxpayers' costs. To prevent bank institutions from structuring their liabilities in a way which may compromise the efficiency of the bail-in or of other resolution tools and to avoid the contagion risk or a bank run, the BRRD establishes that the institutions will have to comply with a minimum requirement for own funds and</p>

<sup>1</sup> “Core income” means net interest income plus net fees and commission income

Element	Title																																																																													
		eligible liabilities (“ <b>MREL</b> ”). The MREL regime, which became effective during 2016, involves a transition period and should have implications on the issue of debt by bank institutions, implying the introduction of alterations in the liability structure through the issue of new senior debt with some subordination structure or strengthening Tier 2.																																																																												
B.5	Description of the Group	BCP is the ultimate parent company of the group (BCP and its subsidiaries together constitute the " <b>Group</b> ").																																																																												
B.9	Profit forecast or estimate	Not Applicable - No profit forecasts or estimates have been made in the Offering Circular.																																																																												
B.10	Audit report qualifications	Not Applicable - No qualifications are contained in any audit report included in the Offering Circular.																																																																												
B.12	<p>Selected historical key financial information:</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 2015 and 31 December 2016 and from BCP's unaudited financial statements for the six months ended 30 June 2017 (including comparative data), respectively:</p> <p style="text-align: center;"><b>Consolidated Income Statement for the years ended at 31 December 2016 and 2015</b></p> <table><tr><th></th><th>2016</th><th>2015 (restated)<sup>2</sup></th><th>2015 (adjustment)<sup>2</sup></th><th>2015</th></tr><tr><td></td><td></td><td></td><td></td><td>(Thousands of Euros)</td></tr><tr><td>Net interest income</td><td>1,230,126</td><td>1,190,599</td><td>(110,976)</td><td>1,301,575</td></tr><tr><td>Total operating income</td><td>2,022,460</td><td>2,311,984</td><td>(198,175)</td><td>2,510,159</td></tr><tr><td>Operating net income before provisions and impairments</td><td>1,242,464</td><td>1,294,682</td><td>(108,951)</td><td>1,403,633</td></tr><tr><td>Operating net income / (loss)</td><td>(355,528)</td><td>316,797</td><td>(92,523)</td><td>409,320</td></tr><tr><td>Net income / (loss) before income taxes</td><td>(281,280)</td><td>308,319</td><td>(94,391)</td><td>402,710</td></tr><tr><td>Income after income taxes from continuing operations</td><td>100,587</td><td>270,634</td><td>(75,679)</td><td>346,313</td></tr><tr><td>Income arising from discontinued or discontinuing operations</td><td>45,228</td><td>90,327</td><td>75,679</td><td>14,648</td></tr><tr><td>Net income / (loss) for the year attributable to Shareholders of the Bank</td><td>23,938</td><td>235,344</td><td>0</td><td>235,344</td></tr><tr><td>Net income for the year</td><td>145,815</td><td>360,961</td><td>0</td><td>360,961</td></tr></table> <p style="text-align: center;"><b>Consolidated Balance Sheet as at 31 December 2016 and 2015</b></p> <table><tr><th></th><th>2016</th><th>2015</th></tr><tr><td></td><td></td><td>(Thousands of Euros)</td></tr><tr><td>Total assets</td><td>71,264,811</td><td>74,884,879</td></tr><tr><td>Total liabilities</td><td>65,999,630</td><td>69,204,308</td></tr><tr><td>Total equity attributable to Shareholders of the Bank</td><td>4,382,116</td><td>4,623,169</td></tr><tr><td>Total equity</td><td>5,265,181</td><td>5,680,571</td></tr><tr><td>Total liabilities and equity</td><td>71,264,811</td><td>74,884,879</td></tr></table>			2016	2015 (restated) <sup>2</sup>	2015 (adjustment) <sup>2</sup>	2015					(Thousands of Euros)	Net interest income	1,230,126	1,190,599	(110,976)	1,301,575	Total operating income	2,022,460	2,311,984	(198,175)	2,510,159	Operating net income before provisions and impairments	1,242,464	1,294,682	(108,951)	1,403,633	Operating net income / (loss)	(355,528)	316,797	(92,523)	409,320	Net income / (loss) before income taxes	(281,280)	308,319	(94,391)	402,710	Income after income taxes from continuing operations	100,587	270,634	(75,679)	346,313	Income arising from discontinued or discontinuing operations	45,228	90,327	75,679	14,648	Net income / (loss) for the year attributable to Shareholders of the Bank	23,938	235,344	0	235,344	Net income for the year	145,815	360,961	0	360,961		2016	2015			(Thousands of Euros)	Total assets	71,264,811	74,884,879	Total liabilities	65,999,630	69,204,308	Total equity attributable to Shareholders of the Bank	4,382,116	4,623,169	Total equity	5,265,181	5,680,571	Total liabilities and equity	71,264,811	74,884,879
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<sup>2</sup> In the context of the Banco Millennium Angola, S.A. merger with Banco Privado Atlântico, S.A., Banco Millennium Angola, S.A. was considered a discontinued operation on 31 March 2016. With reference to 31 December 2015, the total assets and liabilities of this subsidiary were accounted on the Bank's consolidated balance on the respective lines; as for the income and expenses of the year with reference to 31 December 2016 and 2015, those were presented in a single line as denominated income arising from discontinued operations.

Element	Title	
	<b>Consolidated Income Statement</b> <b>for the six months period ended 30 June 2017 and 30 June 2016</b>	
		<b>30 June 2017</b> <b>30 June 2016</b> (Thousands of Euros)
	Net interest income	678,499      600,804
	Total operating income	1,017,176      1,026,182
	Operating net income before provisions and impairments	566,968      542,131
	Operations net income / (loss)	151,666      (274,498)
	Net income / (loss) before income tax	183,304      (241,262)
	Income after income taxes from continuing operations	139,865      (162,961)
	Income arising from discontinued or discontinuing operations	1,250      45,227
	Net income / (loss) for the period attributable to Shareholders of the Bank	89,928      (197,251)
	Net income for the period	141,115      (117,734)
	<b>Consolidated Balance Sheet as at 30 June 2017 and 30 June 2016</b>	
		<b>30 June 2017</b> <b>30 June 2016</b> (Thousands of Euros)
	<b>Total assets</b>	73,023,738      73,067,533
	Total liabilities	66,078,026      68,053,888
	Total equity attributable to Shareholders of the Bank	5,947,920      4,158,644
	Total equity	6,945,712      5,013,645
	<b>Total liabilities and equity</b>	73,023,738      73,067,533
	<b>Statements of no significant or material adverse change</b>	
	There has been no significant change in the financial or trading position of the Group since 30 June 2017. 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 2016.	
<b>B.13</b>	Events impacting the Issuer's solvency	There are no recent events particular to BCP which are to a material extent relevant to the evaluation of its solvency.
<b>B.14</b>	Dependence upon other group entities	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.  Please also refer to Element B.5.
<b>B.15</b>	Principal activities	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.  BCP's operations are primarily in retail banking, but it also offers a complete range of additional financial services.
<b>B.16</b>	Controlling shareholders	BCP is not aware of any shareholder or group of connected shareholders who directly or indirectly control the BCP.

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 "B3" (in respect of Notes issued on a subordinated basis ("<b>Subordinated Notes</b>") by Moody's Investors Service España, S.A., "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) and "B-" (in respect of Subordinated Notes) by Standard &amp; Poor's Credit Market Services Europe Limited Sucursal en España, 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 Ltd. and "BB (high)/R-3" (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 (low)" (in respect of Subordinated Notes) by DBRS Ratings Limited.</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>

### Section C – Securities

Element	Title	
C.1	Description of Notes/ISIN	<p>The Notes to be issued under the Programme will be in book entry form.</p> <p>The Notes to be issued under the Programme may be Fixed Rate Notes, Floating Rate Notes, Reset Rate Notes, Zero Coupon Notes or a combination of the foregoing.</p> <p><b>Issue-specific summary:</b></p> <p>The Notes are [<i>£/€/U.S.\$/other</i>] [ ] [[ ]% Fixed Rate/Floating Rate/Reset Rate/Zero Coupon] 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 [<i>Sterling/Euro/U.S. dollars/Japanese yen/Swiss francs/Australian dollars/Canadian dollars/other</i>].</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	Notes issued under the Programme will have terms and conditions relating to, among other matters:

Element	Title	
	limitations on those rights	<p><b><i>Status and Subordination</i></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, save that the claims of the holders of the Notes in respect of payments pursuant thereto will be wholly subordinated to the claims of all Senior Creditors of the Issuer.</p> <p>“<b>Senior Creditors of the Issuer</b>” means (a) creditors of the Issuer whose claims are admitted to proof in the winding-up of the Issuer and who are unsubordinated creditors of the Issuer, and (b) creditors of the Issuer whose claims are or are expressed to be subordinated to the claims of other creditors of the Issuer (other than those whose claims relate to obligations which constitute, or would, but for any applicable limitation on the amount of such capital, constitute Tier 1 instruments or Tier 2 instruments of the Issuer, or whose claims otherwise rank or are expressed to rank <i>pari passu</i> with, or junior to, the claims of holders of the Subordinated Notes); “<b>Tier 1 instruments</b>” has the meaning given to it by the Applicable Banking Regulations from time to time; and “<b>Tier 2 instruments</b>” has the meaning given to it by the Applicable Banking Regulations from time to time.</p> <p>“<b>Applicable Banking Regulations</b>” means at any time the laws, regulations, requirements, guidelines and policies relating to capital adequacy then in effect in Portugal and applicable to the Issuer, 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.</p> <p>“<b>Relevant Authority</b>” 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 Issuer.</p> <p><b><i>Issue-specific summary:</i></b></p> <p>This Series of Notes is issued on a [senior/subordinated] basis.</p> <p><b><i>Taxation</i></b></p> <p>All payments in respect of the Notes will be made without deduction for or on account of any withholding taxes imposed by Portugal unless such deduction or withholding is required by law. In the event that any such deduction is made, the Issuer will, save in certain limited circumstances, be required to pay additional amounts to cover the amounts so deducted. In the case of Subordinated Notes, the requirement of the Issuer will be limited to payments of interest.</p> <p>Currently, payments of interest and other revenues to be made by BCP directly to non-residents in Portuguese territory 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</p>

Element	Title	
		<p>Portuguese "tax havens" list. 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, the Issuer shall not 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 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 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 of any of its other obligations (i.e. under the conditions of the Notes), 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, in any case so long as any such indebtedness exceeds the specified threshold; and</li> <li>(d) events relating to the winding-up or dissolution of the Issuer.</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> </ul>

Element	Title	
		<p>(b) events relating to the winding-up or dissolution of the Issuer.</p> <p><b>Meetings</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>Governing law</b></p> <p>English law, except that in relation to the status of Subordinated Notes and 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>
C.9	Interest/ Redemption/ Representative of holders	<p><b>Interest</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><b>Issue-specific summary:</b></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> <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 [ ]-month [specify currency] [LIBOR/EURIBOR] [plus/minus] a margin of [ ]%. Interest will be paid [annually/semi-annually/quarterly/monthly] in arrear on [ ] [and [ ]]] in [each [year/month]/other], subject to adjustment for non-business days. The first interest payment will be made on [ ].]</p> <p>[The Notes bear interest (a) [from their date of issue/from [ ]]] to the first Reset Date occurring thereafter at an initial fixed rate of [ ] per cent. per annum; and (b) in respect of each successive [ ]-year period thereafter, at a rate per annum equal to the sum of [ ] and a margin of [ ] per cent., in each case, payable [annually/semi-annually/quarterly/monthly] in arrear on [ ] [and [ ]]] in each [year/month].]</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>Redemption</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><b>Issue-specific summary:</b></p> <p>Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on [ ] at [ ]% of their nominal amount.</p>



Element	Title	
		<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 [specify any other early redemption option applicable to the Notes being issued]] at [specify the early/optional redemption price]. [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>Please also refer to Element C.8.</p>
C.10	Derivative component in the interest payments	Not applicable – There is no derivative component in the interest payments.
C.11	Listing and Admission to trading in respect of Notes with a denomination of less than 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 or on any other stock exchange or market which is not a regulated market for the purposes of Directive 2004/39/EC, as amended.</p> <p><b>Issue-specific summary:</b></p> <p>[Application [has been/will be] made by the Issuer (or on its behalf) for the Notes to be admitted to the Official List of the Irish Stock Exchange and trading on its regulated market.] [Application [had been/will be] made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the regulated market of the [Euronext Lisbon/London Stock Exchange and listing on the Official List of the UK Listing Authority].] [The Notes are not intended to be admitted to trading on any market.]</p>
C.21	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, as amended.</p> <p><b>Issue-specific summary:</b></p> <p>[Application [has been/will be] made by the Issuer (or on its behalf) for the Notes to be admitted to the Official List of the Irish Stock Exchange and trading on its regulated market.] [Application [had been/will be] made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the regulated market of the [Euronext Lisbon/London Stock Exchange and listing on the Official List of the UK Listing Authority].] [The Notes are not intended to be admitted to trading on any market.]</p>

## Section D – Risks

Element	Title	
D.2	Key risks regarding the Issuer	<p>In purchasing Notes, investors assume the risk that the Issuer 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 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 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 control. The Issuer has 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</p>

Element	Title	
		<p>before taking any investment decision.</p> <p><b><i>Risks relating to BCP:</i></b></p> <p><i>Risks Relating to the Portuguese Economy</i>, which include, <i>inter alia</i>, i) The Bank is highly sensitive to the evolution of the Portuguese economy, whose recovery cannot be guaranteed to persist indefinitely; 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 impacted by the performance and potential deterioration of foreign economies; iv) The completion of the financial assistance programme (the "PAEF") and the successful return of the Portuguese Republic to the capital markets do not eliminate the risk of further deterioration of Portugal's economic and financial condition; v) The Bank still relies on funding from the ECB in significant amounts; vi) The Bank is exposed to the risk of deterioration of the Portuguese 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 Bank is exposed to risks associated with the implementation of the ECB's Quantitative Easing; x) The Budgetary Treaty may permanently confine economic policymaking, with potential adverse effects on the Bank's operational activity; xi) 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; xii) A relapse of the sovereign debt crisis of the Eurozone and the uncertainty regarding the integrity of the EU constitute potential sources of turbulence for the markets that may impact the Bank's activity; xiii) The United Kingdom's impending departure from the EU could adversely affect the Bank's activity; xiv) 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; and xv) Acts of terrorism, natural disasters, pandemics and global conflicts may have a negative impact on the Bank's business and operations.</p> <p><i>Legal and Regulatory Risks</i>, which include, <i>inter alia</i>, i) The Bank is subject to increasingly complex regulation that could increase regulatory and capital requirements; ii) The Banking Union may impose additional regulatory requirements that may condition the Bank's results; iii) The Bank may be unable to issue certain capital requirement instruments and therefore be either unable to meet its capital requirements or required to meet its capital requirements through costly or less effective instruments; iv) The resolutions adopted by the EC regarding financial services and products in the context of disclosure compliance may restrict the results of the Bank; v) The legislative initiatives relating to "basic bank accounts" and "credit contract conditions" may restrict the delivery of services and negatively affect the Bank's results; vi) The Bank is subject to increased obligations and costs resulting from the new legal framework related to the prevention and monitoring of the default risk of customers; vii) Adoption of ECB guidelines and recommendations and supervisory practice based thereon may lead to an acceleration in non-performing exposure ("NPE") reductions, which may adversely impact the activity, financial condition, results of operations and prospects of the Bank; viii) Changes to tax legislation, regulations, higher taxes or lower tax benefits could have an adverse effect on the Bank's activity; ix) Implementation of legislation relating to taxation of the financial sector could have a material adverse effect on the Bank's results of operations; x) The Bank was charged and convicted by the Portuguese Securities Market Commission (<i>Comissão do Mercado de Valores Mobiliários</i>) (the "CMVM") and Banco de Portugal 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; xi) The new solvency framework for insurance companies is uncertain and may negatively impact the Bank's operations; xii) The Bank is subject to changes in financial reporting standards, such as IFRS 9, or policies, including as a result of choices made by the Bank, which could</p>

Element	Title	
		<p>materially and adversely affect the Bank's reported results of operations and financial condition and may have a corresponding material adverse impact on capital ratios; xiii) The Bank's financial statements in conformity with EU IFRS require the exercise of judgements and use of assumptions and estimates which, if incorrect, could have a material impact on the Bank's business, results of operations, financial condition, prospects and capital ratios; and xiv) The use of standardised contracts and forms carries certain risks.</p> <p><i>Risks relating to BCP's recapitalisation plan and restructuring plan</i>, which include, <i>inter alia</i>, i) The Restructuring Plan of the Bank approved by the EC has an associated execution risk; ii) The Bank is exposed to contingent risks for the implementation of its strategy, and may not, totally or partially, achieve the objectives inscribed in its Strategic Plan 2012-2017 and Strategic Agenda 2016-2018; iii) 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; and iv) 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.</p> <p><i>Risks Relating to the Bank's Business</i>, which include, <i>inter alia</i>, i) The Bank is exposed to the credit risk of its customers; ii) The Bank is exposed to concentration risk, including concentration risk in its credit exposure; iii) The Bank is exposed to counterparty risk, including credit risk of its counterparties; iv) The Bank sells capitalisation insurance products with guaranteed principal and unit linked products, exposing the Bank to reputational risk in its role as seller, and financial risk indirectly arising from the Group's 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 of credit granted to customers; vii) The Bank holds units in specialised credit recovery closed-end funds that are subject to potential depreciation, for which reimbursement may not be requested and for which there is no secondary market; 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) The Bank is exposed to risks in its international operations; xvi) The Bank faces exposure to macroeconomic risks in its businesses in Europe (Poland) and Africa (Angola and Mozambique); xvii) The Bank's operations in emerging markets expose its business to risks associated with social, economic and political conditions in those markets; xviii) The Bank's highly liquid assets may not cover liabilities to its customer base; xix) The results of additional stress tests could result in a need to increase capital or a loss of public confidence in the Group; xx) 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; xxi) The Bank is vulnerable to fluctuations in interest rates, which may negatively affect net interest income and lead to net loss and other adverse consequences; xxii) The Bank currently operates in an environment of negative or close to zero short term interest rates (including ECB interest rates), which may continue for a long period of time, which could have a negative impact on the Bank's financial margin and results; xxiii) The Bank is exposed to reputational risks, including those arising from rumours that affect its image and customer relations; xxiv) The Bank may have difficulty in hiring and retaining board members and qualified personnel; xxv) The coverage of pension fund liabilities could be insufficient, which would require an</p>

Element	Title	
		<p>increase in contributions, and the computation of additional actuarial losses could be influenced by changes to assumptions; xxvi) Labour disputes or other industrial actions could disrupt the Bank's operations or make them more costly to run; xxvii) The Bank is exposed to market risk, which could result in the devaluation of investment holdings or affect its trading results; xxviii) The Bank is subject to compliance risk, which may lead to claims of non-compliance with regulations and lawsuits by public agencies, regulatory agencies and other parties; xxix) 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; xxx) 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; xxxi) The Bank is subject to the risk of changes in the relationship with its partners; xxxii) Transactions in the Bank's own portfolio involve risks; xxxiii) Hedging operations carried out by the Bank may not be adequate to prevent losses; xxxiv) The Bank faces exchange rate risk related to its international operations; xxxv) The Bank might be exposed to non-identified risks or to an unexpected level of risks, notwithstanding the risk management policy pursued by the Bank; xxxvi) The Non-Core Business Portfolio may generate additional impairment requirements; xxxvii) The Bank may not be able to generate income to recover deferred taxes. Potential dilution of the shareholders' position may result from the conversion into capital of a potential special reserve that may be established according to the applicable legal framework, in particular in the case of negative net individual results. Changes in the law or a different interpretation of the relevant provisions of law may have an adverse impact on the capital ratio; and xxxviii) The Bank is subject to the risk of internal and external fraud, crime, cybercrime, or other types of misconduct by employees or third parties which could have a material adverse effect on the Bank.</p>
D.3	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, 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 and that the Notes are unsecured and therefore subject to the resolution regime.</p>

## Section E – Offer

Element	Title	
E.2b	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>[Issue-specific summary:</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>

Element	Title															
E.3	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. 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.</p> <p><b>Issue-specific summary:</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>[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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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/[ ]]															
		<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></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/[ ]]						
Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised:	[Not Applicable/[ ]]															
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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/[ ]]															

Element	Title	
		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/[ ]]
<b>E.4</b>	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 and its 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 BCP or its affiliates. Certain of the Dealers or their affiliates that have a lending relationship with BCP routinely hedge their credit exposure to BCP 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 Issuer believes may affect its capacity 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 herein by reference and reach their own conclusions before taking any investment decision.*

### RISKS RELATING TO THE ISSUER

#### Risks Relating to the Portuguese Economy

***The Bank is highly sensitive to the evolution of the Portuguese economy, whose recovery cannot be guaranteed to persist indefinitely***

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 61% of the Bank's net operating revenue and 75% of total gross loans to customers in the end of the first six months of 2017, compared to 61% and 77%, respectively, as at 30 June 2016. In addition, as at 30 June 2017, the Bank's holdings of EUR 5.1 billion (EUR 5.3 billion as at 30 June 2016) in Portuguese government bonds represented 7% (7.3% as at 31 June 2016) of its total assets. As such, developments in the Portuguese economy have had and will continue to have a material impact on the quality of the Bank's assets, its business, 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 which led Portuguese authorities to negotiate a financial assistance programme of EUR 78 billion (the PAEF, as defined above), 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.

In the short term, the structural reforms and readaptation of the productive structure had a negative impact on Portuguese economic activity, which contracted by 7%, in accumulated terms, between 2011 and 2013 (source: Portugal's National Statistics Institute, September 2017).

As the structural reforms and the fiscal consolidation started to bear results, the economic situation improved. In this sense, since the last quarter of 2013, the year-on-year gross domestic product ("GDP") growth rates have turned positive, beginning a period of sustained recovery of economic activity, which has been supported by growth of exports, alongside an improving trend in domestic demand. Recently, the recovery gained momentum, with GDP recording annual growth rates of 2.2%, 2.8% and 3.0%, in the three quarters up to the second quarter of 2017, respectively (source: Portugal's National Statistics Institute, September 2017). In line with the economy's recovery, the unemployment rate declined to 8.8% in the second quarter of 2017 (source: Portugal's National Statistics Institute, September 2017). The consolidated value of the gross debt of the public administration in 2016 stabilised at 130% of GDP (source: Portugal's National Statistics Institute, September 2017) and the public deficit, which was 11.2% of GDP in 2010, decreased to 2.0% in 2016 (source: Portugal's National Statistics Institute, September 2017), which allowed Portugal to exit the Excessive Deficit Procedure (the "EDP"). This result was largely due to an increase in revenues, amid the growth in economic activity, efforts to reduce tax evasion, cuts in capital expenditure and measures to control current expenditure. The restructuring of balance sheets in both the public and private sectors, and growth in exports helped to reduce the external imbalance, leading to significant improvements in

current and capital account balances, which have been recording consecutive surpluses since 2012 (source: Banco de Portugal, September 2017).

In spite of recent improvements, the economic context in Portugal still presents risks. Externally, risks relate, in particular, to the possibility of a global economic slowdown in a context of greater volatility in international financial markets, and to political uncertainty associated with the fears regarding the integrity of the European Union ("EU"), amid negotiations for the United Kingdom's exit from the EU (See "*The United Kingdom's impending departure from the EU could adversely affect the Bank's activity*"), and to the intensification of geopolitical tensions worldwide.

These aspects, combined with internal risks related to the process of reducing private and public sector debt and the potential need to implement further structural reforms in the labour and products and services markets, the pressure of a still high tax burden on the real disposable income of families and companies, the possibility of political turbulence associated with the governmental solution reached after the October 2015 parliamentary elections in Portugal, which did not give a parliamentary absolute majority to any of the parties thus requiring the formation of a coalition of four parties, and the need to reduce the stock of non-performing loans in order to improve the financial sector stability, represent a challenging economic and political environment. If these risks to economic and political stability were to materialise, demand for credit would predictably fall, the 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 completion of the PAEF and the successful return of the Portuguese Republic to the capital markets do 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, it is expected that the growth of loans will remain sluggish for the forthcoming years, hindering the creation of revenue supporting net interest income. Still elevated unemployment, persistent low levels of business profitability and high rates of insolvency of companies and/or households had and may continue to negatively influence customers' capacity to repay loans. Consequently, non-performing loans ("NPLs") may remain elevated, which would continue to negatively impact the quality of the Bank's assets. Finally, taking into account certain identified (e.g. concerning Caixa Geral de Depósitos' recapitalisation) or still unidentified factors, Portugal may still risk failing to comply with the deficit target, which could lead to repercussions from the EU level, including fines. This scenario could have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

***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, public and private, internal and external, 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 an unsustainable 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 arose from the need for improved competitiveness, which found an alternative to declining domestic demand in foreign demand, while other changes were expressly agreed in the context of the PAEF.

However, 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 and there are also no guarantees that its implementation will continue consistently. 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 or lower than expected tax revenues and the weak performance of the financial assets comprising the Bank's portfolio – in particular, the Portuguese public debt securities. Any of the aforementioned could result in a material adverse effect on the Bank's business, financial condition, results of operations and prospects.



***The Portuguese economy is impacted by the performance and potential deterioration of foreign economies.***

Since exports have been the main engine of the Portuguese economic recovery the economic activity in the main countries receiving Portuguese exports is extremely important to the Portuguese economy. Therefore, any deterioration of economic activity in the main trading partners of Portugal (as at July 2017 and according to Portugal's National Statistics Institute, in decreasing order: Spain, France, Germany, United Kingdom, United States, Netherlands, Italy, Angola, Belgium and China) could impact negatively on the recovery of Portuguese economy and lead to economic and financial difficulties and affect the achievement of budgetary and structural targets required by the European authorities under the reinforced rules on macroeconomic stability, including the Fiscal Compact or Fiscal Stability Treaty and legislative measures implemented under the Stability and Growth Pact. Such deterioration 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 deflation risks 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. Regarding markets outside the EU – particularly countries in Africa and Latin America – the risks may be derived, among other adverse factors, from the intensification of competition, the emergence of protectionist policies and/or the maintenance of prices of the commodities on which those economies are heavily reliant at historically depressed levels, namely the oil-exporting countries.

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 relevant political, economic, or regulatory 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, which are primarily Portuguese and Polish. 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 financing. Any of the foregoing could have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

***The completion of the PAEF and the successful return of the Portuguese Republic to the capital markets do not eliminate the risk of further deterioration of Portugal's economic and financial condition.***

The successful completion of the PAEF (source: IMF statement, 2 May 2014) and the return of the Portuguese Republic to the capital markets to raise funds do 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 face an adverse economic and financial climate, negative macroeconomic effects stemming from Portuguese or European public finances and the volatility of international financial markets, which would hinder the liquidity and profitability of the Portuguese financial system and result, for instance, in the devaluation of the Bank's holdings of Portuguese sovereign debt securities; liquidity restrictions on the Portuguese banking system and its concomitant dependence on external institutional funding; an increase in competition for customers' deposits and associated 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, results of operations and prospects.

***The Bank still relies on funding from the ECB in significant amounts.***

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. As at 30 June 2017, the Bank had EUR 3.6 billion net of borrowings with the ECB (EUR 4.4 billion as at 31 December 2016), EUR 4 billion of which related to the new series of targeted longer-term refinancing operations ("TLTRO II"), corresponding to 5.4% of the Bank's liabilities (6.7% as at 31 December 2016) and 15.5% of the total usage of the Portuguese banking system in that month (19.7% as at 31

December 2016), a level that stands clearly below the maximum value of EUR 17.4 billion recorded in April 2011 and that emphasises the gradual reduction of the Bank's dependency on the liquidity provided by the ECB.

The pool of eligible assets could be further eroded as a result of price devaluations, increase in haircuts following credit and sovereign downgrades or even the loss of eligibility of certain assets, such as 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 the acceptance of additional credits. The reduction of the pool of eligible assets and the increased difficulty in raising eligible assets to compensate for such loss of eligibility would have a negative impact in terms of the potential for raising liquidity with the ECB, may result in the Bank having to find alternative funding sources, which may have a negative impact on the Bank's business, financial condition or results of operations and prospects and may require the Bank to sell some of its assets.

The objective of the Bank is to reduce the use of funding from the ECB by reducing the commercial gap<sup>3</sup> and issuing debt in the international wholesale funding markets. In order to achieve it, the Bank is implementing various measures to diversify its funding sources besides ECB funding, which could present a risk of increased cost of deposits (as at 30 June 2017, customer deposits accounted for 81% of the funding structure, from a liquidity management perspective).

The uncertainty surrounding access to capital markets as a source of funding for the Bank may also harm the ongoing diversification process of its funding sources, leading the Bank to excessive use of 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 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. Any of the aforementioned could result in a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

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

Despite a significant narrowing of the spread between the yields of Portuguese and German sovereign bonds of equivalent maturities since the peaks of 30 January 2012 (1561 basis points) (source: Bloomberg), there is no guarantee that this trend will continue as some signs have emerged during 2016 that it might have already changed (on 30 December 2016, the difference between yields of 10-year sovereign debt of Portugal and Germany was 365 basis points, which compares to 190 basis points as at 31 December 2015) (source: Bloomberg). In fact, there is a risk of deterioration of the Portuguese sovereign risk premium due to a number of factors:

- the high level of indebtedness of the Portuguese Republic raises sustainability issues if the long term growth potential of the economy remains low;
- the possibility that the Portuguese economy grows below the State's budget forecasts implies that the government's budgetary targets may not be met, in which case the EC may impose sanctions that adversely affect the economic and financial situation of the country;
- the uncertainty regarding the impact of both the recapitalisation programme of Caixa Geral de Depósitos and the selling conditions of Novo Banco, S.A. ("**Novo Banco**") on the budgetary balance measure relevant for the EDP;
- the possibility of further capital injections by the Portuguese government into the banking sector and the impact thereof on the public deficit and sovereign debt levels; and

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<sup>3</sup> **Commercial gap** – total loans to customers net of BS impairments accumulated minus on-balance sheet customer funds.

- the potential reduction or discontinuation of the ECB's sovereign debt securities purchase programme (see "*The Bank is exposed to risks associated with the implementation of the ECB's Quantitative Easing.*").

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 with the ECB, in addition to funding costs and the Bank's capacity to increase its loan and other asset portfolio with a negative impact on the financial condition, credit quality and operating results of the Group. 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 deteriorate, in particular 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. On 21 April 2017, DBRS reviewed the Portuguese Republic's rating and maintained its long-term rating at BBB (low), affirming the stable outlook. On 15 September 2017, S&P upgraded the rating of the Portuguese Republic to investment grade (from BB+ to BBB-).

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

The parliamentary elections in Portugal held at the beginning of October 2015 did not return a parliamentary majority of any of the parties and led to a government with parliamentary support from several political parties. This could prevent the implementation of economic policies aimed at ensuring the sustainability of public debt and the necessary fiscal adjustment to comply with the European treaties. Furthermore, even if such policies are implemented, their goals might not be achieved. In turn, this could affect the long-term growth potential of the Portuguese economy, thereby reducing the prospective profitability of the Bank's business. This could have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

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

Despite the effectiveness of the resolution of past economic turbulence there remains uncertainty regarding changes in investor sensitivity and the broad macroeconomic context.

In extreme cases, an unanticipated economic or market shock that impacts on 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, financial condition, results of operations, prospects and profitability.

In the Eurozone, the annual inflation rate in September 2017 was 1.5% (source: Eurostat, November 2017), remaining below the ECB's target of close to, but below, 2%. According to the ECB analysis, the adjustment in the path of inflation towards the ECB's target lacks sustainability. Consequently, the ECB has decided to maintain an accommodative monetary stance in order to create the conditions needed for a sustained return of inflation rates to levels around the statutory target. In Portugal, the inflation rate (measured by the annual average growth rate of the harmonised index of consumer prices) has risen in the last months from 0.6% in 2016 to 1.6% in September 2017 (source: Portugal's National Statistics Institute, November 2017) but still remains low and below the ECB's target.

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 average levels are very high, as is still 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. In this regard, the ECB announced on 10 March 2016 a set of measures aimed at strengthening economic activity and reducing the risk of deflation. These include an expansion of and an increase in the amount of the pool of eligible assets of the asset purchase programme, announced on 1 March 2015; a new series of 4 year TLTROs, first announced in June 2014, aiming to support lending to the non-financial private sector; the decision to decrease the interest rate on the main refinancing operations of the Eurosystem from 0.05% to 0%, the marginal lending facility from 0.3% to 0.25% and the deposit facility interest rate from -0.3% to -0.4%.

A deflationary environment may affect the financial condition of the Bank, in particular: (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; and (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 business, financial condition, results of operations and prospects.

***The Bank is exposed to risks associated with the implementation of the ECB's Quantitative Easing.***

In order to restore financial stability and fulfil its inflation mandate, in January 2015 the ECB decided to implement a programme of quantitative easing. Under this programme, the ECB purchases debt securities issued by both private and public entities. This measure, which has never been adopted before in the Economic and Monetary Unit (the "EMU"), has been crucial to maintaining the yields of Portuguese government bonds at relatively low levels (the average yields of 10-year Portuguese sovereign debt were 3.2% for the year ended 31 December 2016, which compares to 3.75% for the year ended 31 December 2014 (source: Bloomberg).

Therefore, the tapering of the ECB's debt purchase programme or its outright discontinuation could have a substantial downward impact on the valuation of the Portuguese government's debt, which would in turn hurt banks directly through the investment book and indirectly by affecting the price and availability of the banks' funding in the market. The tapering or discontinuation of the ECB's debt purchase programme could be the result of technical reasons, related to the need to preserve normal competitive conditions in the debt markets, political restrictions, or improvements in the prospects of the European economy. If the ECB continues tapering or even discontinues its public debt purchase programme, it may have a material adverse effect on the Bank's business, results of operations, financial condition and prospects.

***The Budgetary Treaty may permanently confine economic policymaking, with potential adverse effects on the Bank's operational activity.***

On 14 June 2013, the Budgetary Treaty of the EMU was adopted into national legislation (by means of Portuguese Law No. 37/2013, of 14 June 2013) 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 prices. 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 EU's annual cycle of economic policy guidance and surveillance. 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 to 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 EU).

Given the current magnitude of Portuguese government debt (130.3% of GDP in 2016, according to Banco de Portugal), these measures will likely impose a long-term limit on the ability of the Portuguese government to stimulate economic growth through increased expenditure or a reduction of the tax burden.

Any limitation on the growth of the Portuguese economy or to the ability of the Portuguese government to stimulate growth, especially during downturns, 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. The long term ratings of the Portuguese Republic as at the date of this Offering Circular were as follows: Moody's (Ba1), Standard & Poor's (BBB-), Fitch (BB+) and DBRS (BBB Low), Standard & Poor's and DBRS with a stable outlook and Moody's and Fitch with a positive outlook.

The rating of the Portuguese banking sector may be negatively affected by the implementation of certain legislative measures, including those that may have potentially adverse effects on the investors' level of protection, as foreseen by the BRRD.

On the other hand, the risk of political instability, resulting from the minority position of the governing party in the elections held in October 2015, together with the concerns about the reversal of the structural reforms established under the PAEF and the materialisation of a scenario of slowdown in the recovery of the Portuguese economy (see *"The completion of the PAEF and the successful return of the Portuguese Republic to the capital markets do not eliminate the risk of further deterioration of Portugal's economic and financial condition"* and *"The Bank is highly sensitive to the evolution of the Portuguese economy, whose signs of recovery are still not enough to ensure a sustainable growth trend"* and *"The Bank is exposed to the risk of deterioration of the Portuguese sovereign risk premium"*) could also lead to a downgrade of the Portuguese Republic's debt rating, which would worsen the economy's funding conditions and would have a negative effect on the Bank's credit risk and consequently on its business, financial condition, results of operations and prospects.

***A relapse of the sovereign debt crisis of the Eurozone and the uncertainty regarding the integrity of the EU constitute potential sources of turbulence for the markets that may impact the Bank's activity.***

The possibility of another sovereign default, the continuing high levels of public and private debt in several Member States and the uncertainty regarding the robustness of the European financial sector could lead to market turbulence and instability, which could negatively impact the Bank's activity. Additional risks to the stability of the EU could arise from the negotiations in connection with the United Kingdom's exit from the EU following the 23 June 2016 referendum (see *"The United Kingdom's impending departure from the EU could adversely affect the Bank's activity"*), and from the growing electoral weight of anti-European and Eurosceptic political parties in several Member States, including Italy where general elections are due to take place in early 2018. If any or all these risks were to materialise, it could result in severe pressure on the conditions and financing costs of Portuguese banks (particularly regarding deposits) and asset depreciation, with a significant impact on the net interest margin and results of the Bank, credit impairments and mark-to-market valuation of financial assets.

Moreover, the mere existence of a risk to the integrity of the EU or the EMU might lead the Bank's customers to reallocate their savings towards other countries that are perceived to be fundamentally more stable than Portugal, thereby posing additional pressure on the financing costs of Portuguese banks and thus adversely affecting 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, results of operations and prospects.

***The United Kingdom's impending departure from the EU could adversely affect the Bank's activity.***

On 23 June 2016, the United Kingdom held a referendum on the country's membership of the EU, according to which the United Kingdom voters elected to leave the EU ("**Brexit**"). The negotiation process for the exit has already been initiated but there is a great amount of uncertainty on the specific terms to be agreed between the negotiating parties. Therefore, the full impact of Brexit is currently unpredictable and would vary depending on not only the terms of the United Kingdom's withdrawal (if the membership is not renegotiated) negotiated with the EU, but also on the economic and political reaction to it.

The consequences of Brexit are uncertain with respect to the EU integration process, the relationship between the United Kingdom and the EU, and the impact on economies and European businesses. Should international trade

between the United Kingdom and the Member States become significantly restricted in the future, the Portuguese economy could be adversely affected, given the importance of the United Kingdom as a market for the export of goods, with a 6.7% share in 2015 (source: Ministry of Economy, October 2016) and as a source of tourism, with 24.3% of Portuguese tourists arriving from the United Kingdom in 2015 (source: Portugal's National Statistics Institute, July 2016).

Accordingly, there can be no assurance that the Bank's business, results of operations, financial condition and prospects will not be affected by market developments, notably the depreciation of the exchange rate of GBP against the euro and higher financial market volatility in general due to increased uncertainty of the aforementioned factors.

***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 Millennium bcp 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 Group'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, and significantly reduce the fees related to them, as well as adversely affect the Bank's business, financial condition, results of operations and prospects. As a minority shareholder of Millennium bcp 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 Millennium bcp 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. Therefore, a decline in the capital markets in general could adversely affect the Bank's business, 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 5.1 billion as at 30 June 2017, of which EUR 4.9 billion is on the available for sale book, EUR 16 million is in the trading portfolio and EUR 142 million is in the portfolio of other financial assets using the fair value option), creating a risk of substantial losses. In particular, the gains pertaining to the portfolio of Portuguese public debt held until maturity were EUR 296.7 million in 2014 and EUR 396.3 million in 2015, with potential losses in the Portuguese public debt available for sale assets portfolio in June 2017 standing at around EUR 149.5 million. However, the reversal of the downward trend in Portuguese government bond yields that led to the positive results observed in 2014 and 2015 may not be repeated 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 business, financial condition, 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.

**Acts of terrorism, natural disasters, pandemics and global conflicts may have a negative impact on the Bank's business and operations.**

Acts of terrorism, natural disasters, pandemics, global conflicts or other similar catastrophic events could have a negative impact on the Bank's business, financial condition, results of operations and prospects. Such events could

damage the Bank's facilities, disrupt or delay the normal operations of its business (including communications and technology), result in harm or cause travel limitations on the Bank's employees, and have a similar impact on its clients and counterparties. These events could also negatively impact the purchase of the Bank's products and services to the extent that those acts or conflicts result in reduced capital markets activity, lower asset price levels, or disruptions in general economic activity, or in financial market settlement functions. In addition, war, terror attacks, political unrest, global conflicts, the national and global efforts to combat terrorism and other potential military activities and outbreaks of hostilities may negatively impact economic growth, which could have an adverse effect on the Bank's business, results of operations, financial condition and prospects, besides other adverse effects on the Bank in ways that it is unable to predict.

## **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 ECB, Banco de Portugal and the European Banking Authority (the "**EBA**"), have considered and continue to consider significant changes to the Bank's regulatory framework, particularly in relation to capital adequacy and the scope of the Bank's operations. Consequently, the Bank could face more intense regulation that could adversely and significantly impact the results of its operations.

The credit risk models that the Bank has implemented are supervised and monitored continuously by the supervisory authorities, with whom the Bank maintains a regular dialogue on the matter. Adjustments to those credit risk models, with a view to their better calibration in light of possible context changes, requested by the supervisory authorities or as a result of the Bank's initiative, or related to new regulation implementation may imply an upward revision of the amount of risk weighted assets and, consequently, have a negative impact on the capitalisation level of the Bank.

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

For further details regarding the rules related to the implementation of Basel III and Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 ("**CRD IV**") and Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 ("**CRR**" and together with CRD IV, "**CRD IV/CRR**"), please see "*Description of the Business of the Group – Recent developments on the banking regulation*".

If the Bank's capital ratios fall below the threshold specified or guided by the relevant regulatory entities (including Pillar 2 requirements or guidance), the Bank may need to adopt additional measures to strengthen its capital ratios, such as an acceleration of the deleveraging process, the reduction of risk weighted assets ("**RWAs**"), the sale of non-core assets and other measures including future rights issues. Furthermore, the demand for additional capital adequacy requirements from the Bank may result in the need to reinforce its equity in order to fulfil more demanding capital ratios, thereby increasing the costs to the Bank and reducing the return on equity. Any of the aforementioned situations could have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

Regarding liquidity requirements, new regulatory requirements and changes to levels of adequate capitalisation and leverage could require the Bank to obtain additional liquidity in the future (see "*Description of the Business of the Group – Recent developments on the banking regulation*").

Basel III recommendations also provide for the setting of short and long term liquidity ratios and funding, namely the "Liquidity Coverage Ratio" ("**LCR**") and the "Net Stable Funding Ratio" ("**NSFR**") (see "*Description of the Business of the Group - Recent developments on the banking regulation*"). As the profitability of financial assets is generally inversely correlated with their liquidity, the compliance with these ratios by the Bank may lead to the need to strengthen or create a portfolio of highly liquid but low-margin assets and/or increase funding costs, since the method for calculating these ratios favours long-term over short-term funding, which may therefore adversely impact the Bank's business, financial condition, results of operations and prospects.

Under Basel III the implementation of a binding 3% leverage ratio is expected to become a regulatory requirement by 1 January 2018. The leverage ratio is a (non-risk-sensitive) measure of a bank's ability to meet its long-term financial obligations: Tier 1 capital divided by its average total consolidated assets.

A global systemically important institution ("**G-SII**") could face additional requirements, although it is currently not anticipated that Portuguese banks may be classified as G-SIIs. However, the classification of the Bank as an "other systemically important institution" ("**O-SII**") could lead to increased costs to the Bank, which may therefore adversely impact the Bank's business, financial condition, results of operations and prospects.

Although the implementation process is close to being concluded, there are still some uncertainties regarding the implementation of Basel III, given the process of revision of some of the measures and procedures, including the development process of redefinition of materiality of sovereign risk, revision of standard models for credit risk and operational risk, technical revision of estimation of risk factors used in internal models and calibration procedures of floors used in risk weighted assets. The revision of the regulatory framework could imply equity changes and an increasing need of asset and liability management of the Bank, which may therefore adversely impact the Bank's business, financial condition, results of operations and prospects.

***The Banking Union may impose additional regulatory requirements that may condition the Bank's results.***

In an effort to harmonise the regulation and supervision of banking activities across the EU and especially in the Eurozone, the EC established two new institutions and has modified the rules related to banking resolution and to the European deposit guarantee schemes (please see "*Description of the Business of the Group – Recent developments on the banking regulation*").

The regulatory framework under the Banking Union and future modifications to it may result in or 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. Therefore, the new regulatory regime, even if gradually implemented until the beginning of the next decade, will limit the Bank's room for discretion. This may potentially restrict the Bank's ability to comply with its financial undertakings regarding debt and equity instruments.

***Single Supervisory Mechanism ("SSM")***

The Banking Union assigned the role of direct banking supervisor to the ECB to ensure that the largest banks in Europe, including the Bank, are independently supervised under common rules (see "*Description of the Business of the Group – Recent developments on the banking regulation*"). The SSM is also responsible for the regular evaluation and measurement of risks for each bank and, consequently, of the capital and liquidity adequacy of the credit institution through the global evaluation of own funds adequacy.

The Bank is currently in compliance with Supervisory Review and Evaluation Process ("**SREP**") requirements (see "*Description of the Business of the Group – Recent developments on the banking regulation*"). Even though the Bank is convinced that its current and expected levels of capital are adequate, these requirements may change in the future which could have an impact on the Bank's capital needs and adversely affect the Bank's business, financial condition, results of operations and prospects.

A change in the prudential supervision framework may:



- (a) impose additional capitalisation demands on the Bank, in particular if the ECB requires the reclassification of assets and/or a revision of coverage levels for impairment, which could subject the Bank to additional capital requirements, or to any future stress tests; and
- (b) given the classification of the Bank as an O-SII, lead to higher combined capital buffer requirements.

If, following a capital requirement exercise, such as a stress test, capital quality or risk management assurance exercise or equivalent exercise, a capital deficit is identified, it could adversely affect the cost of funding for the Bank and have a materially adverse impact on its business, financial condition, results of operations and prospects.

Any of the situations described above could adversely impact the Bank's business, financial condition, results of operations and prospects.

#### *Single Resolution Mechanism*

**BRRD:** Directive 2014/59/EU of the European Parliament and of the Council, of 15 May 2014, as amended ("**BRRD**") establishes a framework for the recovery and resolution of credit institutions and investment companies. The BRRD has been implemented into Portuguese law by Law No. 23-A/2015, of 26 March 2015, encompassing several changes to the Decree-Law No. 298/92 of 31 December (*Regime Geral das Instituições de Crédito e Sociedades Financeiras*) (as amended from time to time, the "**Banking Law**") (see "*Description of the Business of the Group – Recent developments on the banking regulation*").

In the event of a bank's critical financial instability, the Banking Union's framework is also designed to minimise the impact of any particular bank's financial difficulties on the financial system and on taxpayers. Under the envisaged SRM, shareholders of the institution would be the first to bear losses, followed by lenders (including the Noteholders).

Guaranteed deposits are expected to be safeguarded and creditors should not bear losses greater than those that they would have suffered had the institution been liquidated under ordinary insolvency proceedings. The BRRD contemplates that subordinated liabilities may be subject to non-viability loss absorption, in addition to the application of the general bail-in tool. As such, the use of resolution tools and powers provided for by the Banking Union may disrupt the rights of shareholders and creditors. In particular, the power of the authorities to transfer the shares or all or part of the assets of an institution to a private purchaser without the consent of shareholders affects the property rights of shareholders. In addition, the power to decide which liabilities to transfer out of a failing institution based upon the objectives of ensuring the continuity of services and avoiding adverse effects on financial stability may affect the equal treatment of creditors. To avoid having institutions structure their liabilities in a way that impedes the effectiveness of the bail-in or other resolution tools and to avoid the risk of contagion or a bank run, the BRRD requires that institutions meet a robust minimum requirement for own funds and eligible liabilities ("**MREL**") at all times (see "*Description of the Business of the Group – Recent developments on the banking regulation*").

For each of the components of the MREL, the resolution authority may consider upward or downward adjustments, on the basis of a thorough case-by-case analysis of financial information, supervisory data and resolution strategies. In order to meet MREL requirements, the Bank may need to issue MREL-eligible instruments, impacting its funding structure and financing costs. Such mechanisms and procedures, besides having the capacity to restrain the Bank's strategy, could increase the average cost of the Bank's liabilities, in particular, without limitation, the cost of additional Tier 1 and Tier 2 instruments and thus negatively affect the Bank's earnings. These instruments may also result in a potential dilution of the percentage of ownership of existing shareholders, given their convertibility features.

The SRM and Single Resolution Fund (the "**SRF**") are regulated by Regulation (EU) No. 806/2014 of the European Parliament and of the Council, of 15 July 2014 ("**SRM Regulation**"), which also established the framework for recovery and resolution of credit institutions and the calculation method of the annual contributions for the funding of the resolution mechanism (see "*Description of the Business of the Group – Recent developments on the banking regulation*").

Pursuant to the SRM Regulation, the use of the SRF shall be contingent on an agreement coming into force between the Member States involved, regarding the transfer of funds obtained at a national level for the SRF and

the gradual merger of the different funds obtained at a national level, to be allocated to the national sections of the SRF, including the resolution fund created in Portugal (the "**Resolution Fund**"), in order to give financial support to the application of resolution measures adopted by Banco de Portugal (see "*Description of the Business of the Group – Recent developments on the banking regulation*"). The SRM Regulation is applicable since 1 January 2016. As such, the SRF does not cover current situations related to the Portuguese Resolution Fund as at 31 December 2015. According to a clarification by the Bank of Portugal, potential contributions from the banks participating in the Resolution Fund will only be recorded when they are due and paid and the contribution to the Resolution Fund should only be recognised as a cost in the year in which it is due and the payment occurs. In addition, public announcements, both by the Resolution Fund and by the Portuguese government, indicate that no special contribution is foreseen and that it will not be necessary to recognise a liability in advance.

In 2016, the periodical contributions paid by the Bank to the Resolution Fund corresponded to approximately 20% of the total periodical contributions paid by the banking sector. The amount of the periodical contribution is calculated every year pursuant to Notice 1/2013 of Banco de Portugal, as amended by Notices 8/2014 and 14/2014, using a base rate which is published by Banco de Portugal after consulting with the Resolution Fund and the Portuguese Banking Association ("**Associação Portuguesa de Bancos**"). There can be no assurance that in the future Banco de Portugal will maintain the current base rate (which is 0.0291% for the periodical contribution of 2017). Increases in the base rate in future years may reduce the Bank's profitability. See "*Description of the Business of the Group – Recent developments on the banking regulation*".

**BES Resolution:** Pursuant to the decision by Banco de Portugal on 3 August 2014, the Resolution Fund participated in the recapitalisation of Novo Banco in the amount of EUR 4.9 billion. The Resolution Fund subscribed for all of Novo Banco's initial equity, valued at EUR 4.9 billion as at 31 December 2015 (of which EUR 3.9 billion from a loan granted by the State, EUR 700 million from a loan granted by a group of credit institutions, including the Bank, that are members of the Resolution Fund, and the remaining amount from the mobilisation of resources available to the Resolution Fund).

As announced on 29 December 2015, Banco de Portugal transferred to the Resolution Fund the responsibilities arising from the "[...] possible negative effects of future decisions, resulting from the resolution process (of BES), which result in liabilities or contingencies". On 7 July 2016, the Resolution Fund stated that it would analyse and assess the necessary steps to be taken following the disclosure of the results of the independent valuation exercise, performed to estimate the level of credit recovery by each creditor class in the hypothetical scenario of a normal insolvency proceeding of Banco Espírito Santo, S.A. ("**BES**") as at 3 August 2014. Pursuant to applicable law, if at the completion of BES's winding-up, it is concluded that creditors whose credits have not been transferred to Novo Banco suffered a loss higher than the loss they would have hypothetically suffered if BES had initiated its winding-up process immediately before the resolution measure was adopted, such creditors will have the right to receive the difference from the Resolution Fund.

As communicated by Banco de Portugal on 4 November 2016, five acquisition proposals were received, pertaining to the sale of the Resolution Fund's stake in Novo Banco. Although the Bank participated in that phase of the process, it did not present a proposal for the referred acquisition. However, it sent a letter in which it stated that the Bank is available to re-evaluate the process under certain conditions which would be compatible with its objectives and priorities and would not have an adverse impact on its capital ratios. On 4 January 2017 Banco de Portugal announced that Lone Star was the prospective purchaser best placed to successfully complete the negotiating process and has decided to invite this entity to deepen negotiations. Banco de Portugal also announced that this new negotiation phase with Lone Star did not preclude the improvement of offers from the remaining prospective purchasers who submitted offers and who have shown willingness to do so.

On 31 March 2017, Banco de Portugal made a communication on the sale of Novo Banco, where it stated the following:

"Banco de Portugal selected today the company LONE STAR to conclude the sale of Novo Banco. The sale agreement documentation was already signed by the Resolution Fund.

In accordance with the sale agreement, Lone Star will make capital injections into Novo Banco totalling 1,000 million Euros, 750 million Euros of which at the moment the operation is completed and 250 million Euros during the following 3 years. Via this capital injection, the company Lone Star will become the owner of 75% of the share capital of Novo Banco and the Resolution Fund will own the remaining 25%.

The conditions agreed also include the existence of a contingent capitalisation mechanism up to a maximum of EUR 3,890 million, according to which the Resolution Fund, as shareholder, commits to carry out capital injections if certain cumulative conditions materialise. These are related with: i) the performance of a defined group of assets of Novo Banco and ii) the performance shown by the bank's capitalisation levels.

The potential capital injections to be made in accordance with this contingent mechanism benefit from a capital buffer resulting from the capital injection to be made, in accordance with the terms and conditions of the operation, and are subject to an absolute maximum threshold.

The conditions agreed also foresee mechanisms to safeguard the interests of the Resolution Fund, to line up the incentives and supervision, despite the limitations resulting from the application of State aid rules.

The completion of the sale depends on receiving the usual regulatory authorisations (including from the European Central Bank and from the European Commission) and also on the execution of a liabilities management exercise, subject to the bondholders joining in, which will encompass the unsubordinated bonds of Novo Banco and generate at least 500 million Euros in own funds eligible for CET 1, by offering new bonds.”

The aforementioned “liability management exercise” was successfully completed on 4 October 2017.

On 1 September 2017, BCP announced that, after having conveyed reservations regarding the contingent capitalisation obligation by the Portuguese Resolution Fund (Fundo de Resolução) which was announced to be included in a sale agreement of Novo Banco, it had decided, in light of the legal deadline and as a precaution, to promote administrative legal proceedings with a view that it is subject to judicial review.

This process, which is centred exclusively on the capitalisation obligation referred to above, does not entail the suspension of the sale of Novo Banco, S.A. which was completed on 18 October 2017.

On 18 October 2017, according to a press release of Banco de Portugal, and following the resolution of the Council of Ministers n.º 151-A/2017, on 2 October 2017, Banco de Portugal and the Resolution Fund concluded the sale of Novo Banco to Lone Star, with an injection by the new shareholder of €750 million, which will be followed by a further injection of €250 million to be delivered by the end of 2017.

As of this date, Novo Banco is held by Lone Star and the Resolution Fund, which hold 75% and 25% of the share capital respectively.

According to publicly available information, the volume of litigation associated with the BES resolution process is high. The losses that the Resolution Fund may incur as a result of any such uncertainties (including, *inter alia*, litigation associated with the sale of Novo Banco and, in particular, the above-mentioned contingent capitalisation mechanism) have not been clearly quantified and, therefore, it is not possible as at the date of this Offering Circular to quantify the impacts that the resolution of BES may have on the Bank.

In the event of a shortage of funds, a negative financial impact, of an uncertain nature, on the Resolution Fund and, indirectly, on the Portuguese banking sector, could occur. The definition of the financing structure of a possible shortage (in terms of type of contribution, its distribution in time and any recourse to temporary loans) will depend on the amount of such hypothetical shortage.

Although according to Article 5(e) of the Regulation of the Resolution Fund, approved by the Ministerial Order (*Portaria*) No. 420/2012, of 21 December, the Resolution Fund may submit to the Government a proposal for the implementation of special contributions to rebalance the financial condition of the Resolution Fund, public communications from both the Resolution Fund and from the Government indicate that no special contributions are foreseen.

According to the Banking Law, Article 153-I (4), should the payment of those special contributions compromise the Bank's liquidity or its solvency, the Bank of Portugal can suspend them. The Resolution Fund also publicly indicated that the financing will be structured in such a manner as to not only avoid jeopardising the solvency of any bank but also to preserve financial stability. Furthermore, the Commission Delegated Regulation (EU) 2016/778 of 2 February 2016, supplementing Directive 2014/59/EU of the European Parliament and of the Council, stipulates the circumstances and conditions under which the payment of extraordinary ex-post contributions may be partially or entirely deferred.

The impact of the above is uncertain and the Bank cannot assure that the current understanding/framework and related contributions will not be changed in the future (i.e. that recourse to special contributions may occur) thus negatively impacting BCP's financial condition, including a negative impact on net income, capital ratios, earnings and long-term targets.

*BANIF resolution:* Banco de Portugal decided on 19 and 20 December 2015 to apply a resolution measure to Banco Internacional do Funchal S.A. ("**BANIF**"). In January 2013, BANIF was recapitalised by the Portuguese State in the amount of EUR 1,100 million (EUR 700 million in the form of special shares and EUR 400 million in hybrid instruments). This recapitalisation plan also included a capital increase by private investors in the amount of EUR 450 million, which was concluded in June 2014. Since then, BANIF reimbursed the Portuguese State EUR 275 million, but was unable to reimburse a EUR 125 million tranche in December 2014. BANIF's sale process was initiated in 2015, but on 19 December 2015 the Ministry of Finance informed Banco de Portugal that a voluntary sale was not feasible, and thus a sale would have to be made in the context of a resolution procedure. BANIF was sold to Banco Santander Totta, S.A. ("**BST**") on 20 December 2015 for EUR 150 million, but some of the assets and liabilities that were not included in the perimeter of BANIF that was subject to sale were transferred to a special purpose vehicle, Oitante, S.A., that, as at 30 June 2017, was held by the Resolution Fund. According to Banco de Portugal, the adjustments associated with the agreement between the Portuguese and European authorities and BST involve estimated public support of EUR 2,255 million intended to cover future contingencies, of which EUR 489 million will be contributed by the Resolution Fund and EUR 1,766 million will be contributed directly by the Portuguese Republic.

Under Article 153-O of the Banking Law, the Resolution Fund may be required to finance the implementation of the resolution measures applied by Banco de Portugal and the resulting general and administrative expenses. As at 30 June 2017, there was no reliable estimate of the potential losses to be incurred by the Resolution Fund, notably those that have been publicly mentioned as potentially applicable arising from (i) the sale of Novo Banco (including, without limitation, the above-mentioned contingent capitalisation mechanism), (ii) the litigation relating to the BES resolution process, (iii) the resolution process of BANIF and related expenses, and (iv) the amount and timing of the Bank's contributions to the Resolution Fund and the reimbursement of the loans granted by the Bank to the Resolution Fund. Thus, the impact of the BES and BANIF resolution processes on the Bank, which participates in the Resolution Fund, could depend on external factors not controlled by the Bank, including the proceeds from the Resolution Fund assets, the future funding needs and contingent liabilities of the Resolution Fund including, without limitation, those related to the sale of Novo Banco to Lone Star. The Ministry of Finance has stated that there will be no need to levy any extraordinary contributions to finance the Resolution Fund as it will continue to be financed over the coming years by the periodical contributions and the proceeds from the levy on the banking sector. However, there can be no assurance that in the future Banco de Portugal will maintain the current base rate used for calculating the periodical contribution. Increases in the base rate in future years may reduce the Bank's profitability. See *"Description of the Business of the Group – Recent developments on the banking regulation"*.

On 28 September 2016, the Resolution Fund and the Ministry of Finance announced the extension of the EUR 3.9 billion loan originally granted to the Resolution Fund in 2014 for the financing of the resolution measure applied to BES. According to the Resolution Fund, the extension of the maturity of the loan ensures the capacity of the Resolution Fund to meet its obligations in full through its regular revenue, regardless of the positive or negative contingencies to which the Resolution Fund is exposed. Therefore, according to the Ministry of Finance, there would be no need to levy extraordinary contributions to finance the Resolution Fund, thereby contributing to maintaining the stability of contributive efforts demanded of the banking sector at current levels and any increase or

decrease in the responsibilities resulting from the materialisation of future contingencies will only determine the adjustment of the maturity of loans granted by the State and by the participating banks to the Resolution Fund.

In March 2017, the conditions for loans granted by the State to the Resolution Fund were altered. The maturity of the loans was revised to December 2046, so that the annual payment owed by the banks is met by the income from the regular contribution charged to the banking sector, keeping the banks' contributions substantially unchanged at their current level.

At the present date, there is no estimate as to the amount of potential losses to be incurred by the Resolution Fund resulting from the sale of Novo Banco, the litigation associated with the resolution process of BES, including in respect of the so-called "lesados do BES" proceedings ("proceedings of BES' injured persons") and the attempts to find a solution for such proceedings, any potential losses following the resolution of BANIF and costs related to the respective processes, nor as to how they may affect the Bank, the amount and timing of future contributions or the repayment of credits granted to the Resolution Fund.

Taking into consideration that, at this date, there is no estimate of the amount of the potential losses to be incurred by the Resolution Fund regarding the resolution measure of BES and BANIF, this situation has been disclosed in the financial statements of the Bank as a contingent liability, with no impacts recorded on the financials or capital ratios of the Bank. There can be no assurance that such accounting treatment be maintained in the future, and as such there is no guarantee that the Bank's business, financial condition, results of operations, prospects and capital ratios will not be affected by the factors described above.

Decree-Law No. 31-A/2012, of 10 February 2012, which amended the Banking Law, also introduced, on terms subsequently amended by Law No 23-A/2015, of 26 March 2015, the creation of the privileges accorded to claims associated with loans backed-up by deposits under the DGF, as well as credit secured by the DGF, by SICAM or by the Resolution Fund, arising from the potential financial support that these institutions might give in the context of the implementation of resolution measures, within the limits of the applicable laws.

Although these measures contribute to the flexibility of regulators to intervene and help reduce systemic risk in the restructuring and resolution process, subject to legal and adequacy criteria, the effective implementation of the regulations may result in an increase in costs and/or in losses that could adversely impact the Bank's business, financial condition, results of operations and prospects.

### ***European Deposit Insurance Scheme***

The EDIS is currently still dependent on political decisions. There is no consensus on whether it should be a system based on the reinsurance between the several national deposit guarantee funds or a mutualisation mechanism at the European level. The decision and implementation processes of the guarantee scheme may have material adverse effects on the Bank's business activity, liquidity, financial condition, results of operations and prospects.

As of the date of this Offering Circular, the harmonisation of the deposit guarantee system, through Directive 2014/49/EU of the European Parliament and of the Council of 16 April 2014, concerning the deposit guarantee systems, resulted in some significant changes to the systems currently in force in each of the Member States, including Portugal. 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.

According to the BRRD, and consequently the Banking Law, with the amendments of Law No.23-A/2015, of 26 March 2015, banks must ensure that by 3 July 2024, the financial resources available to a deposit guarantee scheme ("DGS") amount to a target-level of 0.8% of the amount of DGF-covered deposits.

If, after this target level is reached for the first time, the available financial resources are reduced to less than two thirds of the target level, the ex-ante contributions are set by Banco de Portugal 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 unavailability of deposits, DGS members must pay ex-post contributions not exceeding 0.5% of the

DGF-covered deposits for the exercise period of the DGF. In exceptional circumstances, the DGS can request a higher amount of contribution with the approval of Banco de Portugal.

The exemption from the immediate payment of ex-ante contributions shall not exceed 30% of the total amount of contributions raised. This possibility depends on the credit institutions undertaking irrevocable payment commitments, to pay part of or the whole amount of the contribution which has not been paid in cash to the DGF, that are fully backed by collateral composed of low-risk assets unencumbered by any third-party rights and partly or wholly pledged in favour of the DGF at DGF's request.

The additional indirect costs of the deposit guarantee systems may be significant and can consist of costs associated with the provision of detailed information to clients about products, costs of compliance with specific regulations on advertising for deposits or other products similar to deposits. They can therefore affect the activity of the relevant banks and consequently their business activities, financial condition, results of operations and prospects.

As a result of these developments, the Bank may incur additional costs and liabilities which may adversely affect the Bank's business, operating results, financial condition and prospects.

**The Bank may be unable to issue certain capital requirement instruments and therefore be either unable to meet its capital requirements or required to meet its capital requirements through costly or less effective instruments.**

The Bank can issue Additional Tier 1 or Tier 2 instruments to meet its minimum total capital ratio requirement. However, these instruments might be viewed by investors as riskier than other debt instruments, primarily due to the risk of capital losses, missed coupon payments, insufficient maximum distributable amount buffer and lack of available distributable items. As a result, investor appetite for these instruments may decline in the future, which could render the Bank unable to place them in the market. In this case, the Bank would have to issue CET 1 capital to meet its total capital requirements. Issuing Additional Tier 1 or Tier 2 instruments would entail an associated coupon expense which may have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

***The resolutions adopted by the EC regarding financial services and products in the context of disclosure compliance may restrict the results of the Bank.***

The conclusions of the SREP (see "*Description of the Business of the Group – Recent developments on the banking regulation*") are adopted under the form of prudential requirements (Pillar 2 capital requirements ("**P2R**")) and recommendations (Pillar 2 capital guidance ("**P2G**")), both to be made up entirely of Common Equity Tier 1 (see "*Description of the Business of the Group – Recent developments on the banking regulation*").

If a bank does not meet the P2G, it will not result in an automatic action by the supervisor and will not be used to determine the Maximum Distributable Amount ("**MDA**") trigger, but it may be subject to additional measures adjusted to the individual situation of the bank.

The final measures to be adopted will be assessed, on a case-by-case basis, by the Supervisory Board.

Several EC initiatives regarding financial services and products are still in a transposition/implementation phase, including:

- Directive 2014/65/EU of the European Parliament and of the Council, of 15 May 2014, as amended, and Regulation 600/2014 of the European Parliament and of the Council, of 15 May 2014, relating to markets in financial instruments, known as the Markets in Financial Instruments Directive II ("**MiFID II**")/Markets in Financial Instruments Regulation ("**MiFIR**") (together, "**MiFID II/MiFIR**");
- Regulation 1286/2014 of the European Parliament and of the Council, of 26 November 2014, relating to retail and insurance-based investment products, as amended ("**PRIIPs**"); and
- the European Market Infrastructure Regulation, Regulation (EU) No. 648/2012 of the European Parliament and of the Council of 4 July 2012 ("**EMIR**").

*MiFID II/MiFIR:* This is one of the current EU regulatory initiatives, initiated as a response to the financial crisis. It will enter into force on 3 January 2018 and aims to create more efficient, transparent and safe markets, improving investors' protection. It intends to effect changes affecting transparency requirements for a broad category of assets, derivative contracts and requirements relating to high frequency trading and algorithmic trading and other regulatory tools associated with commodity derivatives. It also seeks to limit the use of commissions, the rules for independent investment advice, the requirements for the production and distribution of new products and the intervention skills associated with the level of products and disclosure of burden and costs.

*PRIIPs Regulation:* This regulation relates to consumer protection and aims to establish a common standard for key information documents. On 14 September 2016, the European Parliament objected to an EC draft of the regulation concerning the RTS with regard to the presentation, content, review and revision of key information documents and the conditions for fulfilling the requirement to provide such documents. Consequently, the EC has to propose a new RTS for the implementation of the PRIIPs legislation. The EU Commission adopted amended regulatory technical standards (RTS) on key information documents (KIDs) during the first half of 2017. The delegated regulation will apply from 1 January 2018.

*EMIR:* This regulation establishes certain obligations in respect of clearing, reporting and risk mitigation of over-the-counter ("**OTC**") derivative contracts. While reporting and certain risk mitigation obligations have already been fully implemented, other obligations are under implementation (mandatory clearing) or yet to be implemented (exchange of collateral). As a Category 2 Entity, the deadline for BCP with respect to mandatory clearing was 21 December 2016, with a phase-in period. Compliance with these obligations entails increased operational and financial costs for the Bank. Moreover, the Bank depends on third-party providers to comply with these obligations, including registered trade repositories for the reporting obligation, central counterparties ("**CCP**") and clearing agents for the clearing obligation. These third-party providers charge service or activity fees and, in the case of CCPs and clearing brokers, impose certain risk mitigation actions, including collateral posting, which increase the cost and may limit the ability of the Bank to enter into OTC derivatives.

***The legislative initiatives relating to "basic bank accounts" and "credit contract conditions" may restrict the delivery of services and negatively affect the Bank's results.***

Some legislative initiatives in Portugal are currently being examined, including those concerning:

- the inability of banks to unilaterally change rates and other contractual terms;
- standardised current accounts ("**basic bank accounts**"), with no commissions, costs or other charges associated with services made in the context of such an accounts;
- free of charge "basic bank accounts"; and
- the potential for the Euribor decrease to be reflected in mortgage and consumption loans.

The implementation of these legal initiatives could affect the regular functioning of the market and significantly impact the Bank's business, financial condition, net income and prospects.

***The Bank is subject to increased obligations and costs resulting from the new legal framework related to the prevention and monitoring of 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 No. 227/2012, of 25 October 2012, encouraging credit institutions to adopt an Action Plan for Default Risk, setting forth procedures and measures to prevent defaulting loans and creating the Extra-Judicial Procedure for the Correction of Default Situations ("**PERSI**"), which aims to promote negotiations outside the courts between credit institutions and bank customers in cases of loan defaults;

- Law No. 58/2012, of 9 November 2012 (subsequently amended by Law No. 58/2014, of 25 August 2014), which provides for an extraordinary regime for the protection of certain mortgage loan debtors in the event of certain economic situations. Even though this law expired on 31 December 2015, the enactment of a law to replace the existing law is currently being discussed in the Parliament.

Furthermore, in December 2013 Banco de Portugal issued its Instruction No. 32/2013, which set out the new method to identify and select credit restructuring events that are facing 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 they could be classified as "restructured credit due to client financial difficulty". This would facilitate the management of credit risk in determining impairment of the loan portfolio and compliance with other prudential requirements.

This legal framework creates an assortment of obligations for credit institutions and sets forth protection measures for bank customers, including, among other things, the following:

- procedures for gathering information, contacting customers, monitoring the execution of loan agreements and managing default risk situations;
- the duty to assess the financial capacity of bank customers and present default correction proposals adapted to the debtor's situation; and
- drawing up a plan for restructuring 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 or reduction of spreads for the duration of the grace period.

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 business, financial condition, results of operations and prospects. Furthermore, 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 business, financial condition, results of operations and prospects.

***Adoption of ECB guidelines and recommendations and supervisory practice based thereon may lead to an acceleration in non-performing exposure ("NPE") reductions, which may adversely impact the activity, financial condition, results of operations and prospects of the Bank.***

In the past few years, the Bank's approach to deal with its high NPL ratio has included:

- the strengthening of the monitoring of credit quality;
- the implementation and development of new assessment models;
- new internal regulations and recovery models; and
- improvement of the risk management governance model.

In addition, and in compliance with the ECB's banking supervision priorities that highlighted credit risk and heightened levels of NPL as key risks faced by Eurozone banks, the Bank has been implementing a NPE reduction plan. The Bank has the goal to decrease NPE in Portugal from EUR 7.8 billion as at 30 June 2017 (excluding



securities) to less than EUR 7.5 billion by December 2017. The NPE strategy and reduction plan are globally aligned with the ECB's draft guidance to banks on NPLs, which addresses the main aspects of the strategy, governance and operations relating to an efficient disposal of NPLs.

The aforementioned plan implemented by the Bank builds on the following main lines of action:

- NPE sale strategy, with a low expected impact on own funds (EL/Impairment GAP) and capital;
- reduction strategy for the top 200 exposures and regular monitoring of the implemented strategy;
- review the *deed in lieu* policy, focus on out-of-court solutions to accelerate the resolution of mortgage loans; and
- approaches for preventing loans evolving into NPE and consistency of application of criteria.

BCP presented to the ECB a detailed plan at the end of February 2017 in respect of the Bank's strategy and goals to reduce the stock of NPE. From the follow-up discussions regarding this matter may arise further requirements imposed by the ECB to accelerate the NPE reduction. This could adversely and significantly impact the Bank's business, results of operations, financial condition, including capital position, 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 EU and other countries in which it operates, as well as by changes in the interpretation of legislation and regulation by the competent tax authorities. 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 business, 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 of public finances in the medium term, as negotiated in the PAEF, will lead to increased tax costs through the expansion of the tax base, the increase in tax rates and/or reduction of tax benefits, as well as the increase in restrictions on tax planning practices, which may directly affect the Bank's net income. 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 Law No. 55-A/2010 of 31 December 2010 and Ministerial Order (*Portaria*) No. 121/2011 of 30 March 2011, as amended, a bank levy is applicable to the Bank (EUR 24.9 million in 2015) and will be applied over (a) the Bank's liabilities at a tax rate of 0.11% and (b) the notional amount of off-balance sheet financial derivatives, excluding hedging derivatives and back-to-back derivatives, at a tax rate of 0.0003%. 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 and, although it considers the provisions it has made regarding these disputes to be adequate to cover the risk of judgements against the Bank it is unable to ensure their sufficiency or 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.***

Although this measure is not foreseen in the Portuguese State Budget Laws for 2016 and 2017, the Portuguese State Budget Law for 2013, 2014 and 2015 (Law No. 66-B/2012, of 31 December 2012, Law No. 83-C/2013, of 31 December 2013 and Law No. 82-B/2014, of 31 December 2014) included legislative authorisations that allowed the Portuguese government to introduce a financial transaction tax under the scope of the Portuguese stamp duty. However, currently, a financial transaction tax has yet to be implemented in Portugal. The legislative authorisation for 2015 provided a broad range of transactions that would fall under the scope of the proposed financial

transaction tax, including 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 EC published its proposal for a Council Directive for enhanced co-operation in the form of a financial transaction tax ("**FTT**"), of which Portugal would be a member.

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 and Banco de Portugal 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.***

Between 2008 and 2015, the Bank was charged and convicted by the CMVM and Banco de Portugal. Similar charges and convictions in the future could hurt the Bank's reputation, among other things, and materially adversely affect the Bank's business, financial condition, results of operations and prospects.

*Summary of the investigations and pending proceedings*

The Bank was charged and convicted by CMVM under administrative proceeding No. 41/2008, a decision which was subject to an appeal to Tribunal de Pequena Instância Criminal de Lisboa (the "**Small Instance Criminal Court of Lisbon**"). In July 2010, the Small Instance Criminal Court of Lisbon convicted the Bank, requiring it to pay a fine of EUR 5 million, half of which was suspended and half of which was paid by the Bank. This ruling became final after the respective appeals were decided.

On 12 December 2008, the Bank was notified by Banco de Portugal of an accusation under administrative proceeding No. 24/07/CO, with respect to alleged breaches of accounting rules and alleged provisions of false or incomplete information to Banco de Portugal. The Board of Directors of Banco de Portugal convicted the Bank to pay a single fine in the amount of EUR 5 million, a decision that the Bank appealed.

Following several intermediate decisions and appeals, the Tribunal da Relação de Lisboa (Lisbon's Court of Appeal), of 9 June 2015, granted partial approval to BCP's appeal. BCP was consequently exonerated from all alleged breaches concerning the provision of false information to Banco de Portugal and from two alleged breaches of accounting rules, and the fine to which BCP had been convicted was reduced to EUR 750,000. This decision became final.

At this date, and given also the time elapsed and the final decision of the proceedings initiated by Banco de Portugal and CMVM mentioned above, the Bank considers unlikely any risk that new lawsuits or investigations will be initiated in the future or of being subject to restrictive measures of civil, administrative or other nature, including fines or being subject to investigations or other proceedings by other regulators, or being 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 its corporate and debt ratings. Although unlikely, any such regulatory proceedings and any related litigation could result in adverse publicity or negative perceptions regarding the Bank's business, which could 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 and, if adversely determined, could have a material adverse effect on its business, financial condition, results of operations and prospects.

***The new solvency framework for insurance companies is uncertain and may negatively impact the Bank's operations.***

The EU has developed a new solvency framework for insurance companies, referred to as "Solvency II". The new approach is based on the concept of three pillars: minimum capital requirements, supervisory review of firms' assessment of risk and enhanced disclosure requirements, and encompasses valuations, the treatment of insurance groups, the definition of capital and the need for capital at a global level. The EC is continuing to develop the detailed rules that will complement the high-level principles of Directive 2009/138/EC, of 25 November 2009, as amended, having already issued some regulations in this respect, including Delegated Regulation (EU) 2015/35, as amended, and regulations referred to as "implementing measures" (Commission Implementing Regulation (EU) 2015/498, of 24 March 2015, Commission Implementing Regulation (EU) 2015/499, of 24 March 2015, Commission Implementing Regulation (EU) 2015/500, of 24 March 2015, Commission Implementing Regulation (EU) 2015/462, of 19 March 2015, Commission Implementing Regulation (EU) 2015/460, of 19 March 2015, and Commission Implementing Regulation (EU) 2015/461, of 19 March 2015).

In parallel, Directive 2009/138/EC, of 25 November 2009, that was last amended by Directive 2014/51/UE, of 16 April 2014, was transposed into Portuguese law through Law No. 147/2015, of 9 September 2015 ("*Regime jurídico de acesso e exercício da atividade seguradora e resseguradora*"), introducing a significant change in the legal framework of the insurance business.

Solvency II implementation poses challenges for insurers that may require them to gradually adapt to the new requirements, provide for data quality and analytics needs, revise their governance systems and develop adequate tools for recurrent reporting and disclosure of information. Further regulatory developments are expected in the forthcoming years, such as review of capital requirements, long term guarantees and macroprudential tools.

There is a risk that the effect of the measures adopted and to be adopted could be adverse for Millenniumbcp Ageas, impacting its business operations, strategy and profitability, including potentially increasing the capital required to support its business and creating a competitive disadvantage with respect to other European and non-European financial services groups. Such impact may affect the dividends policy and/or result in an increase of capital that could have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

***The Bank is subject to changes in financial reporting standards, such as IFRS 9, or policies, including as a result of choices made by the Bank, which could materially and adversely affect the Bank's reported results of operations and financial condition and may have a corresponding material adverse impact on capital ratios.***

The Bank's financial statements are prepared in accordance with EU IFRS, which is periodically revised or expanded. Accordingly, from time to time the Bank is required to adopt new or revised accounting standards issued by recognised bodies, including the International Accounting Standards Board. It is possible that future accounting standards which the Bank is required to adopt, could change the current accounting treatment that applies to its financial statements and that such changes could have a material adverse effect on the Bank's results of operations and financial condition. For example, IFRS 9 on Financial Instruments was endorsed by EU in November 2016 and comes into force for periods beginning on or after 1 January 2018. IFRS 9 will replace IAS 39 - Financial Instruments: Recognition and Measurement and will provide new requirements in accounting for financial instruments with significant changes specifically regarding impairment requirements. For this reason, it is a standard that has been subject to a detailed and complex implementation process that has involved all the key stakeholders in order to understand the impacts but also the changes in processes, governance and business strategy that may be required. The requirements provided by IFRS 9 are applied retrospectively by adjusting the opening balance at the date of initial application.

The Group has been working on this implementation process since 2016 and, as a first stage, the work developed was on the identification of changes required regarding accounting classifications and credit risk impairment models and also on the creation and development of a governance structure that meets the requirements and challenges that arise from IFRS 9 and it is currently in a phase of final implementation, improvement and automation of processes.

Within this scope the Group set up a Steering Committee that is responsible for the key decisions regarding IFRS 9 requirements and for monitoring the status of the process of analysis and implementation of this new standard. The main departments involved in the project are Risk-Office, Planning, Treasury, Operations, Accounting Department, Credit Departments and IT Department. Internal Audit division and the Independent Validation Unit are also involved in the project, namely in the component of its validation.

The main changes provided by IFRS 9 are related impairment requirements. IFRS 9 introduces a new model for impairment estimates based on expected losses while the model under IAS 39 is based on incurred losses. The IFRS 9 impairment model is applicable to financial assets valued at amortised cost, to debt instruments valued at fair value through other comprehensive income, and to contingent risks and commitments not valued at fair value. It should be underlined that the implementation of the new standard requires the application of more complex credit risk models of greater predictive abilities which require a significantly broader set of source data than the currently applied models.

Financial instruments subject to impairment will be divided into three stages based on its level of credit risk as follow:

- (i) Stage 1: there has been no significant increase in risk since its initial recognition. In this case, the value correction will reflect expected credit losses arising from defaults over the 12 months from the reporting date.
- (ii) Stage 2: financial instruments that are considered to have experienced a significant increase in credit risk since initial recognition but for which the impairment has not materialised. In this case, the value correction for losses will reflect the expected losses from defaults over the residual life of the financial instrument. For determining the existence of a significant increase in credit risk not only will quantitative indicators, namely indicators related to credit risk management, be taken into account but also qualitative variables.
- (iii) Stage 3: financial instruments for which there is objective evidence of impairment pursuant to events that result in a loss. In this case, the amount of the value correction will reflect the expected losses for credit risk over the expected residual life of the financial instrument.

As a result of IFRS 9, the Bank will have to recognise credit losses on loans and other financial instruments based on expected losses rather than incurred losses. Considering allowance for credit losses will be based on forward-looking information IFRS 9 will most probably lead to an increase in subjectivity. The forward-looking information mentioned takes into account the evaluation of future macro-economic conditions which are monitored on a continuous basis and that are also used for management and internal planning. Credit losses are defined as the expected contractual cash-flows not received over the estimated life of the financial instrument, discounted at the original interest rate. Following this definition, expected credit losses correspond to credit losses determined by considering future economic conditions.

As credit losses are recognised at an earlier stage this will lead to a higher loan loss allowance, and corresponding lower capital on implementation of IFRS 9. In addition, IFRS 9 is expected to lead to more profit and loss volatility, because changes in counterparty credit quality could lead to shifts from a 12-month expected loss to a life time expected loss and vice versa. In addition, more financial instruments may be classified at fair value through profit or loss. An increase in credit loss could have an impact on lending activities and the potential for greater pro-cyclicality on lending and impairment exists owing to implementation of IFRS 9. Further changes in financial reporting standards or policies, including as a result of choices made by the Group, could have a material adverse effect on the Bank's business, financial condition, results of operations and prospects and may have a corresponding material adverse effect on capital ratios.

If the Bank's regulators adopt or interpret more stringent standards or views on the applicable standards than the Bank anticipates, the Bank could experience unanticipated changes in its reported financial statements, including but not limited to restatements or the inclusion of reserves in review or audit reports, which could adversely affect the Bank's business due to litigation and loss of investor confidence in its financial statements.

***The Bank's financial statements in conformity with EU IFRS require the exercise of judgements and use of assumptions and estimates which, if incorrect, could have a material impact on the Bank's business, results of operations, financial condition, prospects and capital ratios.***

The preparation of financial statements in conformity with EU IFRS requires management to exercise judgement and use estimates and assumptions that affect the reported amounts of assets, liabilities, equity, income and expenses. Due primarily to the inherent uncertainty in making estimates, actual results reported in future periods may be based upon amounts which differ from those estimates. For example, due primarily to the inherently uncertain outcome of settlements of claims and litigation, it is difficult to provide for sufficient legal and regulatory provisions, and if the provisions made turn out not to be sufficient, the Bank will have to report additional losses.

Judgements, estimates, and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances and known at the date of preparation and issuance of the respective financial statements. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. The accounting policies deemed critical to the Bank's results and financial condition, based upon materiality and significant judgements and estimates, include the following areas: impairment of the financial assets available for sale, losses due to impairments in credit to clients, fair value of derivative financial instruments, investments held to maturity, entities included in the consolidation perimeter, taxes on profit, pensions and other benefits to employees, goodwill impairments and impairments in non-current assets held for sale (properties). If the exercise of judgement and the use of estimates and assumptions by the Group in preparing its consolidated financial statements in conformity with EU IFRS are subsequently found to be incorrect, this could have a material impact on the Bank's business, results of operations and financial condition, including capital ratios.

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

The Bank maintains contractual relationships with a large number of clients. 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 could pose a significant risk to the large number of contracts containing subjects that need clarification and drafting errors or requiring individual terms and 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 or interpretive issues, or if the individual contractual terms or the contracts are invalid in their entirety or in part, many client relationships may be negatively affected. Any resulting claims for compensation or other legal consequences may have an adverse effect on the Bank's business, financial condition, results of operations and prospects.

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

***The Restructuring Plan of the Bank approved by the EC has an associated execution risk.***

The EC approved the Bank's Restructuring Plan on 30 August 2013. The non-confidential version of the Restructuring Plan, which (except as specified below) is expected to remain in place until 31 December 2017, is available on the EC's website:

([http://ec.europa.eu/competition/state\\_aid/cases/247497/247497\\_160000\\_0\\_491\\_2.pdf](http://ec.europa.eu/competition/state_aid/cases/247497/247497_160000_0_491_2.pdf)). The decision concluded that the Restructuring Plan was in compliance with the EU rules on State aid by demonstrating the Bank's viability without 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, the commitment of achieving a minimum ROE<sup>4</sup> of 10% and a maximum cost-to-income ratio<sup>5</sup> of 50% from 2016 having been assumed (as at 30 June 2017, ROE was 3.3%, cost-to-income ratio was 42.9% and the cost-to-core income<sup>6</sup> was 44.6% on a consolidated basis);
- 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 already fulfilled by the Bank in respect of the improvement of operational efficiency, the sale of Millennium Gestão de Activos ("**MGA**") and the Bank's Romanian subsidiary, the loan portfolio operations in Switzerland and the Cayman Islands and the Piraeus Bank SA holding, the Restructuring Plan contains a set of general restrictions that may temporarily restrict the operational and strategic flexibility of the Bank, including: the prohibition to acquire equity instruments; 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, primarily related to preferential shares and subordinated and perpetual bonds (unless legally required) and on the repurchases of hybrid instruments and subordinated debt and prohibition of financing the purchase of shares or hybrid capital instruments issued by the Bank.

As mentioned above, ROE was positive 3.3% as at 30 June 2017 which was below the aforementioned commitment of 10%. Consequently, this target was not achieved as at 30 June 2017 and there is a high probability that it will not be achieved as at 31 December 2017. Although the Bank expects that, given the full repayment of the Government Subscribed Core Tier 1 Capital Instruments ("**GSIs**") made in the meantime, a potential non-conformity with the Restructuring Plan will not lead to particularly damaging consequences for the Bank, a failure to properly implement the Restructuring Plan could result in the filing, by the EC, of additional proceedings to analyse the potential improper use of public funds received by the Bank, which could result in the imposition of additional measures to those currently foreseen in the Restructuring Plan. As at the date of the Offering Circular, the Bank is unaware of any such proceedings.

The Restructuring Plan also provided for the conditional sale of the investment operation in Poland, if the outstanding amount of GSIs by the end of 2016 exceeded EUR 700 million, which did not occur following the repayment of EUR 50 million of GSIs on 30 December 2016.

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

The abovementioned limitations on the payment of dividends by the Bank and prohibitions related to coupon payments and interest on hybrid instruments and subordinated debt where there is no legal obligation to make such payment automatically ceased with the full repayment of the GSIs on 9 February 2017; however, other implied obligations arising out of the Restructuring Plan shall continue to be in force until 31 December 2017, unless waived by the EC. See "*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.*"

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<sup>4</sup> As used in this Offering Circular, "**ROE**" means net income (including the minority interests) divided by the average attributable equity, deducted from preference shares and other capital instruments.

<sup>5</sup> As used in this Offering Circular, "**cost-to-income**" means operating costs divided by net operating revenues.

<sup>6</sup> As used in this Offering Circular, "**cost to core income**" means operating costs divided by the net interest income and net fees and commission income.

***The Bank is exposed to contingent risks for the implementation of its strategy, and may not, totally or partially, achieve the objectives inscribed in its Strategic Plan 2012-2017 and Strategic Agenda 2016-2018.***

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, in full or in part, achieve the objectives inscribed in its Strategic Plan 2012-2017 (the "**Strategic Plan**"), which was reviewed in 2015, including what is foreseen in the Recapitalisation Plan and in the Restructuring Plan. The Strategic Plan was reviewed in 2015 and, so far, overall targets remain the same. 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, which has been updated on a regular basis, are consistent with the provisions of the Recapitalisation Plan and the Restructuring Plan. There is no guarantee that the Bank will be able to fully implement its strategic agenda due primarily to general constraints, such as (i) the risk of 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 business, 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 and Restructuring Plan, in addition to the limitations on distribution of dividends, which include, among other undertakings:

- a ban on buy-backs of hybrid instruments and subordinated debt without the consent of the Portuguese Minister of Finance (the "**Minister of Finance**"); in this respect, the Restructuring Plan approved by the EC 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 EC, 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 EC, the Minister of Finance and Banco de Portugal;
- granting the Minister of 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 the other 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 announced to the market the appointment of two representatives of the Portuguese Republic to the corporate bodies of Millennium bcp (Bernardo Sottomayor, as first non-executive director who has subsequently resigned and has been replaced by André Palma Mira David Nunes 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 what was provided in Article 14, No. 2 of Law 63-A/2008, as amended and Decision (*Despacho*) 8840-B/2012 of 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**"). Further to repayment in full of the GSIs and a decision from the relevant member of the Portuguese Government both Appointed Members ceased their tenure with effect on 9 February 2017;

- remuneration and benefits of senior management and executives are 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 Banco de Portugal. In September 2016, credit exposure to shareholders holding more than 2% of the Bank's outstanding shares was approximately 9.4% (deducted from the GSIs), which compares with 25.9% in December 2013. In this respect, the Restructuring Plan approved by the EC also includes guarantees granted and limits of exposure to these shareholders which are applicable during the restructuring period; and
- the commitment by the Bank of EUR 30 million per annum to a fund that will invest in equity of Portuguese small- and medium-sized enterprises and Portuguese companies with a medium level of capitalisation.

Certain covenants and undertakings described above may require further interpretation and clarification, in particular, from the EC and the Ministry of Finance, considering the terms of the decisions approving the Recapitalisation Plan and the Restructuring Plan and the lapsing of certain covenants and undertakings. All of the aforementioned undertakings can have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

Even though repayment in full of the outstanding GSIs was completed on 9 February 2017, with the exception 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, as well as certain restrictions that could only be waived by the approval of the Minister of Finance, which automatically ceased with the full repayment of the GSIs, some of the remaining obligations imposed by the Restructuring Plan (in particular those that are simultaneously foreseen in the Decision and in the Restructuring Plan) may be interpreted as remaining in force until 31 December 2017, unless waived.



***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.***

Deterioration of the economic and financial situation in European and global markets, a persistent low or even negative interest rate environment, 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, as described in "Risks Relating to the Portuguese Economy" and "Risks Relating to the Bank's Business". If any of these 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 to the shareholders' pre-emption rights or, to the extent authorised by the general meeting of shareholders (the "**General Meeting of Shareholders**") or the law, without regard to shareholders' pre-emption rights.

The General Meeting of Shareholders held on 21 April 2016 decided to suppress the preference rights of shareholders in the subscription of one or more share capital increases that the Board of Directors may decide to carry out for a maximum term of 3 years and up to a maximum aggregate amount corresponding to 20% of the total amount of the share capital existing on the date such resolution was approved, with a maximum global number of shares to be issued corresponding to 20% of the shares existing on the date such resolution was approved, provided such resolution of the Board of Directors is approved by a majority of 85% of the directors in active duty, having received the prior favourable opinion of the Audit Committee and the share price should not be lower than 90% of the weighted average of the Bank's shares' closing price on Euronext Lisbon in the 20 sessions prior to the date of the decision to undertake the share capital increase.

On 18 November 2016, Chiado (Luxembourg) S.à.r.l. ("**Chiado**") (an affiliate of Fosun Industrial Holdings Limited ("**Fosun**")) subscribed to a private placement reserved solely to Chiado, pursuant to the authorisation granted by BCP's shareholders in the general assembly held on 21 April 2016 and to the capital increase resolution of the Board of Directors dated 18 November 2016, through which Chiado came to hold a shareholding of approximately 16.67% of the total share capital of BCP. On such date, Chiado agreed to subscribe for 157,437,395 ordinary shares of the Bank at a subscription price of EUR 1.1089 per share.

The Bank may also decide to engage in other liability management exercises, 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 be required to sell assets in sub-optimal conditions or even to 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.

Any issuance of additional shares by the Bank or the perception by the market that such issuance may occur could adversely affect the market price of the ordinary shares or other securities of the Bank, and have a material adverse effect on its business, financial condition, results of operations and prospects.

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

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

The Bank is exposed to its customers' credit risk. Gross exposure to risk of credit (position in original risk) on 30 June 2017 was EUR 85.6 billion (EUR 88.2 billion on 31 December 2016 and EUR 91.5 billion on 31 December 2015).

As at 30 June 2017, the breakdown of this exposure was the following: EUR 12.2 billion for central governments or central banks, EUR 0.8 billion for regional administrations or local authorities, EUR 0.6 billion for administrative entities and non-profit organisations, EUR 0.02 billion for multilateral development banks, EUR 2.9 billion for other credit institutions, EUR 58.7 billion for retail and companies customers and EUR 10.3 billion for other elements.

As at 31 December 2016, the breakdown of this exposure was the following: EUR 10.4 billion for central governments or central banks, EUR 0.8 billion for regional administrations or local authorities, EUR 0.8 billion for administrative entities and non-profit organisations, EUR 0.02 billion for multilateral development banks, EUR 3.0 billion for other credit institutions, EUR 59.4 billion for retail and companies customers and EUR 13.9 billion for other elements.

According to the Bank of Portugal, Portugal's NPE coverage by loan loss reserves ("LLR") was 45% in the first half of 2017. NPEs as at 30 June 2017 were EUR 8.8 billion with a coverage by impairments of 41% and a coverage by impairments, collaterals and Expected Loss Gap of 103.3%.

A general deterioration of the Portuguese economy (and of the 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 NPL and NPE 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 imposed by IFRS 9, due to enter into force on 1 January 2018, could determine the need for recognition of different levels of impairments, which could adversely affect the business, results of operations, financial condition and prospects of the Group.

***The Bank is exposed to concentration risk, including 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 in its loan portfolio. The 20 largest loan exposures of the Bank as at 30 June 2017 represented 8.9% of the total loan portfolio (gross) (9.1% as at 31 December 2016 and 9.1% as at 31 December 2015). The qualified shareholders' loan exposures as at 30 June 2017 represented 0.44% of the total loan portfolio (gross) (0.46% as at 31 December 2016 and 0.3% as at 31 December 2015).

The Bank also has high sectoral concentration in its loan book. As at 30 June 2017, the Bank's credit exposure to the real estate and civil construction sectors was 2.8% (real estate activities) and 5.4% (construction companies) of the total loan portfolio (gross). On that date, 45.8% of the loan portfolio consisted of mortgage loans, the exposure to retail and wholesale commerce was 6.4% and the exposure to service sector companies was 17.1%.

As at 31 December 2016 the Bank's credit exposure to the real estate and civil construction sectors was 2.9% (real estate activities) and 5.5% (construction companies) of the total loan portfolio (gross), respectively. On that date, 46.4% of the loan portfolio consisted of mortgage loans, the exposure to retail and wholesale commerce was 6.2% and the exposure to service sector companies was 17.6%.

This concentration is common for 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. If exposure increases in the future, it could have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

***The Bank is exposed to counterparty risk, including 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 options 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, interim institutional 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 expose 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 ultimately to an inability of the Bank to repay its debt. In addition, the Bank's credit risk may be exacerbated when the collateral it holds cannot be enforced upon 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 collaterals 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 or global economies or the systemic risk of financial systems due primarily 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 business, financial condition, results of operations and prospects.

***The Bank sells capitalisation insurance products with guaranteed principal and unit linked products, exposing the Bank to reputational risk in its role as seller, and financial risk indirectly arising from the Group's shareholding in Millenniumbcp Ageas.***

Off-balance sheet customer funds, as at 30 June 2017 totalled EUR 13.8 billion, largely consisting of assets under management (EUR 4.5 billion) and financial insurance (EUR 9.4 billion), including unit linked products (EUR 5.0 billion) and capitalisation insurance/PPR (retirement savings plans) (EUR 4.4 billion), with only the latter being able to ensure capital or a minimum income.

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 registered by the equity method. Therefore, adverse changes in the underlying assets, a general deterioration of the global economy, or the systemic risk of financial systems due to structural imbalances may affect the recovery and value of such assets, entailing reputational risks for the Bank as a seller of these products as well as financial risks indirectly arising out of the shareholding held by the Group in Millenniumbcp Ageas. Any of the foregoing could have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

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

The Bank is highly exposed to the Portuguese real estate market by means of the credit granted to construction companies, real estate activities, and mortgage loans, which represented 5.4%, 2.8% and 45.8% of the consolidated loan portfolio, respectively, as at 30 June 2017 in assets related to its operations or obtained in lieu of payment, and indirectly through properties securing loans or through funding of real estate development projects (assets received in lieu of payment in Portugal represented 3.4% of total assets of the Bank as at 30 June 2017), 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.

Assets held on the Bank's balance sheet received in lieu of payment (real estate assets only) increased from EUR 1,446 million as at 31 December 2015 and EUR 1,782 million as at 31 December 2016 to EUR 1,825 million as at 30 June 2017 (impairments of EUR 234 million as at 31 December 2015, of EUR 201 million as at 31 December 2016 and EUR 196 million as at 30 June 2017). The coverage of assets received in lieu of payment decreased from 16.2% as at 31 December 2015 and 11.3% as at 31 December 2016 to 10.7% as at 30 June 2017. In the six months ended 30 June 2017, the Bank received 2,097 new properties in its activity in Portugal (excluding funds and other real estate companies) and sold 1,615 properties, from its stock of properties, for EUR 165 million.

The exposure to closed-end investment funds, whose units were received following operations where properties were recovered in lieu of payment and that, in accordance with IFRS, were subject to the full consolidation method,

represented EUR 475.7 million as at 30 June 2017 (EUR 529.3 million as at 31 December 2016 and EUR 326.5 million as at 31 December 2015). The item Investment Properties includes the amount of EUR 12.3 million as at 30 June 2017 (EUR 8.2 million as at 31 December 2016 and EUR 144.6 million as at 31 December 2015), concerning properties held by Fundo de Investimento Imobiliário Imosotto Acumulação, by Fundo de Investimento Imobiliário Gestão Imobiliário, by Fundo de Investimento Imobiliário Imorenda, by Fundo de Investimento Imobiliário Fechado Gestimo and by Imoport—Fundo de Investimento Imobiliário Fechado.

The Bank also performed a set of transactions involving the sale of financial assets for funds specialising in the recovery of loans, including Fundo Recuperação Turismo FCR, Fundo Reestruturação Empresarial FCR, FLIT, Vallis Construction Sector Fund, Fundo Recuperação FCR, Fundo Aquarius FCR, Discovery Real Estate Fund and Fundo Vega FCR.

The item Properties, which includes the real estate booked in the pension fund's financial statements and used by Group companies, in the pension fund amounted to EUR 282.0 million recorded as at 30 June 2017, EUR 282.0 million as at 31 December 2016 and EUR 301.6 million as at 31 December 2015.

Accordingly, the Bank is vulnerable to a contraction in the real estate market. A significant devaluation of prices in the Portuguese real estate market would lead to impairment losses in the assets directly held and to an increased exposure to counterparty risk for loans guaranteed by real estate collateral and in pension fund assets retained by the Bank, adversely affecting the Bank's business, financial condition and results of operations. Mortgage loans represented 45.8% of the total loan portfolio as at 30 June 2017 (46.4% as at 31 December 2016), with a low delinquency level and an average loan-to-value ratio of 65%. Although Portugal did not face a housing bubble during the recent financial crisis as did other European countries, such as Ireland and Spain, and real estate prices in Portugal have been fairly stable over the last years, the economic and financial crisis still had an impact on the real estate market. Portuguese banks are granting a low amount of new mortgage loans with very low spreads, and real estate developers have encountered a difficult market for sales. Moreover, there was a reduction in public works activity that severely affected construction companies, which had to redirect their activities to foreign markets. Furthermore, difficult credit conditions associated with the contraction of tourism have affected certain real estate developers that had been involved with tourism related projects, in particular in the southern part of Portugal. All of the aforementioned effects have increased delinquency among construction companies and real estate developers, impacting the Bank's NPLs and contributing to the increase in impairment charges.

A significant devaluation of prices in the Portuguese real estate market may lead to an increase in impairment losses in the assets held directly and in the participating units of the restructuring funds, 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, results of operations and prospects.

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

Mortgage loans represented 45.8% of BCP's total loan portfolio (consolidated) as at 30 June 2017. The average spread of the mortgage loans portfolio in Portugal stood at 1.35%; 38% of the contracts and 43% of the balance of mortgage loans had spreads under 1%. As at 30 June 2017, 76% of the contracts and 71% of the balance of the mortgage loans portfolio in Portugal were indexed to Euribor 3 months and 13% of the contracts and 15% of the balance of the portfolio were indexed to Euribor 6 months. In 2016, the average spread of the mortgage loans portfolio in Portugal stood at 1.38%; 39% of the contracts and 45% of the balance of mortgage loans had spreads under 1%. As at 31 December 2016, 78% of the Bank's contracts and 74% of the balance of the mortgage loans portfolio in Portugal were indexed to Euribor 3 months and 14% of the contracts and 16% of the balance of the portfolio were indexed to Euribor 6 months.

In response, the Bank, along with other banks in Portugal, limited the granting of new mortgage loans. In the six months ended 30 June 2017, 5,538 new mortgage credit operations were contracted with an average spread of 1.73%, compared to 4,041 new mortgage credit operations contracted with an average spread of 2.07% in 2016. 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 the extension of the maturity of these contracts. The resulting

limitation of this contractual rigidity has a significant impact on net interest income. In addition 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 corporate sector. This could have a material adverse effect on the Bank's business, financial condition, results of operations and prospects. Furthermore, a continuation of the historically low interest rate environment may adversely affect the Bank's net interest income, which in turn would likely have an adverse effect on the Bank's profitability.

***The Bank holds units in specialised credit recovery closed-end funds that are subject to potential depreciation, for which reimbursement may not be requested and for which there is no secondary market.***

The Bank performed a set of securitisation transactions comprising the sale of financial assets (namely loans to customers) to funds specialising in loan recovery. These funds manage the companies or the assets received as collateral with the objective of achieving a pro-active management through the implementation of operation/valuation plans of such companies. The financial assets sold through these transactions were removed from the Bank's balance sheet, as the transactions result in the transfer of a substantial portion of the risks and benefits associated with the assets to the funds, in addition to any control exercised thereof.

The funds specialised in credit recovery that purchased the financial assets from the Group are closed-end funds, wherein the participants have no ability to request the reimbursement of their investment throughout the useful life of the fund. Furthermore, given their intrinsic characteristics and those of the underlying assets, there is no secondary market operating for the participation units, which makes their sale to third parties very unlikely.

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, guaranteeing however that no bank may hold more than 50% of each fund's capital.

The funds have a specific management structure (led by a general partner), which is independent from the credit assignor banks and selected on the fund's incorporation date.

The funds' management structure is 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 were incorporated for the purpose of investing in own capital instruments and third parties' share capital which, in accordance with their investment policies, is their goal. The participating banking institutions subscribe to senior instruments (usually participation units issued by the funds themselves) and junior instruments (for example, subordinated financings or supplementary contributions granted directly to the special purpose vehicles held by the funds).

The value of senior instruments is set as the negotiated fair value based on valuations made by the involved parties and the instruments are paid at an interest rate that reflects the risk of the assets and of the relevant companies.

The value of the junior instruments equals the difference between the fair value based on the valuation of the senior instruments and the value of the assigned credits by the banks.

Junior instruments entitle the holder to a contingent positive value in the event that the value generated by the assigned assets surpasses the amounts to be paid through the senior instruments.

The Bank's total exposure to funds specialised in the recovery of loans was EUR 1,671 million as at 30 June 2017, with an impairment of EUR 604 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 1,068 million as at 30 June 2017.

For further details on this topic, please also see "*The Bank is exposed to market risk, which could result in the devaluation of investment holdings or affect its trading results.*"

A possible deterioration in the prospects for recovery of the loans transferred to specialised closed-end funds may result in the devaluation of the NAV of the held participation units that cannot be sold, leading to additional impairments. This could have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

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

Continued market turmoil and poor economic growth, particularly 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 economies in countries where the Bank operates, and the availability and cost of funding. In addition, customers may further significantly 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, results of operations or prospects.

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

Bank loans to customers (gross) at a consolidated level decreased from EUR 55.4 billion as at 31 December 2015 and EUR 51.8 billion as at 31 December 2016 to EUR 51.7 billion as at 30 June 2017. 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 historic rates, or may even decrease. Furthermore, in addition to the obligations undertaken in the context of the Bank's Restructuring Plan, in some of the Bank's target markets, there is a limited number of customers of high creditworthiness. The Bank has also undertaken commitments in respect of operational efficiency, including the sale of the loan portfolio operations in Switzerland and the Cayman Islands. 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 that are being reimbursed for good credit quality loans. Developments in the Bank's loan portfolio will be affected by, among other factors, the condition of the Portuguese economy. The continued decline in the value or quality 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, results of operations and prospects.

***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 increase of the impairment recognised for the collateralised loans granted by the Group. Loan volume to both businesses and individuals is expected to remain depressed in Portugal due primarily to downward pressure of austerity measures on household disposable income and the firms' profitability, as well as 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 (as at 30 June 2017, 5.26% of the loan portfolio's collateral consisted of financial assets compared to 5.51% as at 31 December 2016).

In light of the Portuguese macroeconomic situation and the Bank's older loan exposures to some of the more vulnerable sectors in the economy, in the six months ended 30 June 2017, the Bank continued to increase the level of coverage through impairments and collateral.

In addition, by the end of the first quarter of 2018, ECB Banking Supervision will present its consideration of further policies to address the existing stock of NPLs, including appropriate transitional arrangements.

On 4 October 2017, the ECB launched a public consultation on a draft addendum to the ECB's existing guidance on NPLs published on 20 March 2017. The draft addendum specifies quantitative supervisory expectations for minimum levels of prudential provisions for new NPLs. A public hearing will be held as part of the consultation on 30 November 2017. The consultation is due to end on 8 December 2017.

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

The Bank's consolidated gross loan portfolio, as at 30 June 2017, was EUR 51.7 billion. As at 31 December 2016, the Bank's consolidated loan portfolio was EUR 51.8 billion. The ratio of overdue loans over 90 days stood at 6.4% as at 30 June 2017, compared to 7.5% as at 30 June 2016; the ratio of overdue loans stood at 7.2% as at 30 June 2017, compared to 7.8% as at 30 June 2016; the ratio of NPLs stood at 9.8% as at 30 June 2017, compared to 11.5% as at 30 June 2016; the ratio of credit at risk stood at 10.1% as at 30 June 2017, compared to 11.9% as at 30 June 2016. The ratio of NPEs stood at 17% as at 30 June 2017, compared to 19.3% as at 30 June 2016. As at 30 June 2017 the restructured loans ratio reached 9.6% of total loans, a favourable performance from the 10.0% registered at the end of June 2016, and the restructured loans not included in the credit at risk ratio stood at 5.5% of total loans as at 30 June 2017 (5.4% as at 30 June 2016).

The ratio of overdue loans over 90 days stood at 6.8% as at 31 December 2016, compared to 7.2% as at 31 December 2015 (7.3% excluding the activity of Bank Millennium Angola); the ratio of overdue loans stood at 7.0% as at 31 December 2016, compared to 7.4% in 31 December 2015 (7.5% excluding the activity of Bank Millennium Angola); the ratio of NPLs stood at 10.4% as at 31 December 2016, compared to 10.9% as at 31 December 2015 (11.0% excluding the activity of Bank Millennium Angola); the ratio of credit at risk stood at 10.9% as at 31 December 2016, compared to 11.3% as at 31 December 2015 (11.4% excluding the activity of Bank Millennium Angola). The ratio of NPEs stood at 18.1% as at 31 December 2016, compared to 20.1% as at 31 December 2015.

As at 30 June 2017, the loan portfolio in Portugal amounted to EUR 38.7 billion. In Portugal, the ratio of overdue loans over 90 days stood as at 30 June 2017 at 7.7%, compared to 9.2% as at 30 June 2016; the ratio of overdue loans stood at 8.7% as at 30 June 2017, compared to 9.4% as at 30 June 2016; the ratio of NPLs stood at 11.8% as at 30 June 2017, compared to 14.1% as at 30 June 2016; the ratio of credit at risk stood at 11.9% as at 30 June 2017, compared to 14.2% as at 30 June 2016. The ratio of NPEs stood at 20.2% as at 30 June 2017, compared to 23.3% as at 30 June 2016.

As at 31 December 2016, the loan portfolio in Portugal amounted to EUR 39.4 billion. In Portugal, the ratio of overdue loans over 90 days stood at 8.2% as at 31 December 2016, compared to 8.9% as at 31 December 2015; the ratio of overdue loans stood at 8.5% as at 31 December 2016, compared to 9.1% in 31 December 2015; the ratio of NPLs stood at 12.8% as at 31 December 2016, compared to 13.4% as at 31 December 2015 and the ratio of credit at risk stood at 13.0% as at 31 December 2016, compared to 13.5% as at 31 December 2015. The ratio of NPEs stood at 21.7% as at 31 December 2016, compared to 23.5% as at 31 December 2015.

NPEs in Portugal amounted to EUR 7.8 billion as at 30 June 2017, with 27% of NPEs relating to individuals and 73% to companies. 58% of NPEs are NPLs more than 90 days. NPE coverage as at 30 June 2017 was 104% for Companies (47% by LLRs, 37% by real estate collateral and 20% by other collateral and EL gap) and 107% for Individuals (23% by LLRs, 70% by real estate collateral and 14% by other collateral and EL gap). NPLs more than 90 days' coverage as at 30 June 2017 was 104% for Companies (55% by LLRs, 32% by real estate collateral and 16% by other collateral and EL gap) and 100% for Individuals (29% by LLRs, 65% by real estate collateral and 6% by other collateral and EL gap). Other NPE coverage as at June 2017 was 103% for Companies (38% by LLRs, 42% by real estate collateral and 24% by other collateral and EL gap) and 119% for Individuals (11% by LLRs, 79% by real estate collateral and 28% by other collateral and EL gap).

The persistence of volatility and 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) amounted to EUR 305.0 million as at the six-month period ended on 30 June 2017, EUR 1,116.9 million as at 31 December 2016 and EUR 833 million as at 31 December 2015. From 2011 to 31 December 2016, the Bank made impairment provisions amounting to EUR 6,062.6 million. A significant portion of the foregoing related to inspections to the Bank's loan portfolio, namely Special Inspections Programme Work Stream 1 (EUR 381 million), On-site Inspections Programme (EUR 290 million), Exercício Transversal de Revisão das Imparidades das Carteiras de Crédito-ETRICC (Transversal Exercise of Impairments Revision on the Loan Portfolio) (EUR 306 million) and Asset Quality Review (EUR 313.5 million). Cost of risk<sup>7</sup>, measured by the proportion of loan impairment annualised charges (net of recoveries) compared to loans to customers (gross), stood at 118 basis points as at 30 June 2017, compared to 216 basis points as at 31 December 2016 and to 150 basis points as at 31 December 2015. The credit at risk coverage stood at 69% as at 30 June 2017, compared to 59.2% as at 30 June 2016. The credit at risk coverage stood at 66.5% as at 31 December 2016, compared to 55.2% as at 31 December 2015. 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 costs and, consequently, to the reduction of the Bank's net income. In addition, the level of impairment 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, results of operations and prospects.

In Poland, the NPL ratio as at 30 June 2017 was 2.7%, compared to 2.6% as at 30 June 2016. As at 31 December 2016, the NPL ratio was 2.6%, compared to 2.8% as 31 December 2015.

In Mozambique, the NPL ratio as at 30 June 2017 was 14.0%, compared to 5.4% as at 30 June 2016. As at 31 December 2016, the NPL ratio was 6.0%, compared to 6.2% as at 31 December 2015.

Credit risk and deterioration of asset quality are mutually reinforcing. If there is any reduction in the value of assets securing loans that have been granted or if 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, or that in the fiscal year 2017 and/or in future reporting periods, it will not raise impairment charges from recent levels. Deterioration in the credit risk exposure of the Bank may have a material and adverse effect on the Bank's business, 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 which follow multi-product, multi-channel and multi-segment approaches and are, in general, highly sophisticated. Over recent years, there has been significant developments 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, with new entrants such as Bankinter and Banco CTT who may adopt aggressive commercial practices in order to gain market share. The sale process of Novo Banco is unpredictable and could add to increased competition as the bank is to be acquired by an institution with no current presence in the Portuguese banking system. 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 the six months ended 30 June 2017, the Bank had 2.3 million customers in Portugal and, in June 2017, the market share in Portugal (estimates based on figures disclosed by Banco de Portugal and other banking industry associations for aggregates of the financial system and with adjustments for statistical standardisation) was the following: 17.8% in loans to customers, 19.7% in loans to companies, 16.4% in loans to individuals, 17.2% in mortgage loans, 8.9% in

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<sup>7</sup> As used in this Offering Circular, “Cost of risk” means the ratio of impairment charges (net of recoveries) accounted to customer loans (gross).



consumer credit, 19.4% in customer funds, 18.2% in on-balance sheet customer funds, 17.3% in deposits and 23.1% 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 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. In addition, on 30 June 2017 the Bank operated 596 branches, meeting the goal of reducing the number of branches to less than 570 by 2018, working towards its goal of becoming a more digital bank. This resulted in the downsizing of the Bank's branch network and consequently in BCP's branches' market share in Portugal. This may result in a weaker competitive position in the Portuguese retail market. As a consequence, this could have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

Moreover, as at 30 June 2017, around 5.3% of the Bank's total domestic customers also held ordinary shares of the Bank (around 5.7% as at 31 December 2016 and approximately 6.1% as at 31 December 2015). If the price of the Bank's ordinary shares continues 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, results of operations and prospects.

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 significant material adverse effect on the Bank's business, financial condition, results of operations and prospects.

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

In the six months ended 30 June 2017, more than 80.5% of the fees and commissions related to banking (22.8% to cards and transfers, 23.8% to loans and guarantees, 14.4% to bancassurance, 14.1% to customer account related fees and 5.5% to other fees and commissions), with market related fees and commissions accounting for the remaining 19.5%. 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 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 investment funds, which could lead to increased withdrawals and reduced inflows. An increase in withdrawals and a reduction in inflows could have a significant material adverse effect on the Bank's business, financial condition, results of operations and prospects.

***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 fund transfers and remittances. If introduced, such changes 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 ratings are assigned by Moody's, Standard & Poor's, Fitch and DBRS. The ratings as of the date of this Offering Circular are the following: (a) Moody's: "B1/NP" (re-presented as at 23 January 2017), (b) Standard &

Poor's: "BB-/B" (re-presented as at 23 February 2017), (c) Fitch: "BB-/B" (re-presented as at 16 March 2017) and (d) DBRS: "BB (high)/R-3" (re-presented as at 15 June 2017). The risk ratings for the Bank's subordinated debt are: "BB (low)" by DBRS, "B+" by Fitch, "Caa1" by Moody's and "B-" by Standard & Poor's.

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 the Bank, with the exception of the ratings assigned by the British branch of DBRS, are non-investment grade. In terms of capital, and despite the fact that the rating agencies recognise that the solvency levels of the Bank are better primarily due to the recapitalisation by the Portuguese State and by shareholders in June and September 2012, respectively, and more recently in July 2014, June 2015, November 2016 and the start of 2017, and the repayment of the GSIs, it remains uncertain whether 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. The 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 (5.3% of BCP's shareholders were also clients of BCP as at 30 June 2017); and (iv) continued dependency on funding from the ECB.

Any downgrade in the Bank's 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 reinitiate its deleveraging process and reduce its activities, which could have a negative impact on the Bank's ratings. Any of the foregoing could have a material adverse effect on its business, financial condition, results of operations and prospects.

***The Bank is exposed to risks in its international operations.***

In the first six months of 2017, the Bank's net profit (after income taxes and non-controlling interests) attributable to international operations was EUR 87.1 million, compared to net profits (after income taxes and non-controlling interests) of EUR 89.9 million for the Bank as a whole. For the same period, net income in Poland was EUR 73.7 million, (EUR 36.9 million of which was attributable to the Bank), net contribution in Angola was EUR 15.8 million and net income in Mozambique was EUR 42.8 million (of which EUR 28.5 million was attributable to the Bank).

In 2016, the Bank's net profit (after income taxes and non-controlling interests) attributable to international operations was EUR 276.5 million, compared to net profits (after income taxes and non-controlling interests) of EUR 23.9 million for the Bank as a whole. For the same period, net income in Poland was EUR 160.3 million (of which EUR 80.3 million was attributable to the Bank) net contribution in Angola was EUR 31.7 million and net income in Mozambique was EUR 71.2 million (of which EUR 47.5 million was attributable to the Bank).

In addition, and in terms customary for this type of transaction, in the context of the Bank's divestiture of its international operations in Greece and Romania, the Bank may be liable for certain future contingencies that may still materialise, subject to maximum limits.

Any reduction in profits or increase in the responsibilities associated with the Bank's international operations may have a material adverse effect on the business, financial condition, results of operations and prospects of the Bank.

***The Bank faces exposure to macroeconomic risks in its businesses in Europe (Poland) and Africa (Angola and Mozambique).***

The Bank faces exposure to macroeconomic risks in its operations in Poland and Mozambique, as well as a result of its participation in Angolan BPA, whose materialisation in the future may have an adverse impact on the business, financial condition, results of operations and prospects of the Bank.

***Poland***

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, benefiting mainly from the strong growth in exports.

During 2014 and 2015, the Polish GDP accelerated further through firmer exports and increased domestic demand due to improvement in the labour market. The expansionary trend continued in 2016, when the Polish GDP growth rate was 2.7% (Source: Eurostat, September 2017) and improved further in the first half of 2017 to 4.0% (Source: Eurostat, September 2017), supported by a solid growth in private consumption, together with the recovery of investment, in a context of accommodative monetary and fiscal policies. Against this positive background, a potential downward revision of external demand, mainly by the rest of the EU, the main trading partner of Poland, and by Russia, which faces a static economic environment, may constrain activity and negatively affect the confidence levels of households and businesses, which would have repercussions on the financial condition of customers and therefore on the Bank's results. In addition, the risks of renewed instability in financial markets and political tensions in the EU, on the back of the United Kingdom's exit from the EU, could lead to greater volatility of the Polish zloty ("PLN") exchange rate and affect the Bank's results directly through financial operations and indirectly through repercussions on the clients' financial situation. Internally, the risks to economic and financial stability are mainly related to the political tensions between the Polish government and the European authorities, as the European Commission launched an official legal challenge against Poland on 26 July 2017 over parts of a judicial reform package, which violate the EU's law.

Moreover, there is the risk that the implementation of more economic policy decisions, namely on the tax front, targeting the banking system by Polish authorities could negatively affect investors' confidence and the economic activity and, consequently, negatively impact the profitability of the Polish banking sector.

The removal of the peg of the EUR/CHF parity led to a significant appreciation of the Swiss franc ("CHF") against the euro and the zloty. The granting of loans in Swiss francs was a common practice of most Polish banks (and in other economies of Central and Eastern Europe) in the past. Bank Millennium SA ("**Bank Millennium**") granted mortgage loans in Swiss Francs until December 2008 and its Swiss francs mortgage loans portfolio on 30 June 2017 stood at approximately EUR 4.3 billion (approximately 34% of the total loan portfolio). The mortgage loans denominated in CHF impaired ratio stood at 3.1% which compares to 2.6% in June 2016.

Bank Millennium stopped granting mortgage loans in foreign currencies in 2009. Consequently the Polish foreign exchange mortgage loans is a mature portfolio, constantly decreasing according to the repayment rate and with a low impairment ration and high coverage by provisions. Currently, Bank Millennium's foreign exchange mortgages amount to 34% of the Polish bank's loan book (EUR 4.3 billion), which represents 8.3% of the Group's total loans.

Andrzej Duda, the Polish President, convened a team of experts to modify his proposed bill for the conversion of CHF denominated mortgages, after his initial proposal was scraped primarily due to its high cost to Poland's financial system. The Polish banking regulator estimated the proposed bill's cost for banks at PLN 44.6 billion to 66.9 billion (EUR 10.2 billion to EUR 15.4 billion).

The Polish President announced a new plan for CHF-denominated mortgage loans in August 2016, according to which banks must return the cost of excessive foreign exchange spreads they charged their clients, potentially equalling several billion zloty. The decision to limit the scale of the requirement was due primarily to concerns regarding the deteriorating situation of European financial institutions.

According to news publications that mention the Polish President's advisors as their source, the planned bill envisages different methods for restructuring the loans. It is expected to include the foreign exchange spread charged to clients, the conversion of the loan at a "fair" exchange rate and the cancellation of the loan through the delivery of real estate collateral. The bill may assume debt-to-income criteria for conversion eligibility. Polish banks should be able to spread the conversion costs over time and will have the option to create a special purpose vehicle to spin-off foreign exchange loan portfolios. In any case, also based on the statements of Polish authorities, it is expected that any solution that may be approved will take into consideration the stability of the Polish financial system and the overall impacts for the Polish economy.

The draft law was sent to the Polish Parliament for further proceeding as a Presidential Proposal. The Polish Banking Association and National Bank of Poland sent to the Parliament remarks and reservations to the draft law. The first debate in Parliament took place on 20 October 2016. Bank Millennium's management is still waiting for further clarifications on the timeframe of the contributions to the fund related to FX mortgages conversion and a

final version of the proposal. The most recent proposal on this matter, which is still being debated, is the creation of a quarterly contribution to a restructuring fund of up to 0.5% of each bank's FX loans. This would place Bank Millennium's potential contribution to the FX loan restructuring fund at around EUR 70 million or EUR 50 million net of taxes, of which around EUR 25 million would be attributable to BCP. This estimate relates only to 2018 contributions and does not include a start or end date for the contributions.

In the described circumstances it is not possible to estimate the impact of potential regulations on the banking sector. However, these legislative and regulatory intentions regarding FX mortgage loans, if implemented and made mandatory for banks, could significantly deteriorate the Bank Millennium's profitability and capital position.

To be able to minimise this potential negative effect and in line with supervisory recommendations, Bank Millennium has been strengthening its capital ratios, building relevant capital buffers that may cushion potential negative impacts from a legislative action.

Bank Millennium's foreign exchange mortgages as at 30 June 2017 amounted to 34% of the Polish bank's loan book (EUR 4.3 billion), which represents 8.3% of the Group's total loans.

### *Mozambique*

Mozambique faces important economic and financial challenges. After being one of the fastest growing economies in Sub-Saharan Africa, with five consecutive years of GDP growth rates above 7%, the Mozambican economy decelerated in 2015 to 6.6% and to 3.8% in 2016 (source: Mozambique National Institute of Statistics, September 2017). The deceleration resulted from the fall in commodity prices, in particular gas, coal and aluminium, which caused a fall in export revenues and a slower pace of foreign direct investment. This led to the deterioration of public finances and of the current account balance and to the depreciation of the Metical ("MZN"). According to the IMF, the general gross government debt as a percentage of GDP rose from 62.4% in 2014 to 88% in 2015 and to 115.2% in 2016, while the current account balance as a percentage of GDP was minus 39% in 2015, compared to minus 38.2% in 2014. Due to exchange rate instability, the Mozambican government requested an emergency loan from the IMF at the end of 2015 (source: IMF, 2 December 2016) and adopted a more restrictive monetary and fiscal policy in order to restore economic stability. However, in April 2016, the IMF and international donors halted aid to Mozambique, after finding an undisclosed external guaranteed debt of \$2.0 billion (source: IMF, 24 June 2017). The deterioration of its fiscal position in the following months led the Mozambican authorities to miss interest payments on dollar bonds due on 18 January 2017 and on 18 July 2017.

Against this background, the Mozambican authorities were urged to implement quick and decisive measures to avoid further deterioration of the country's economic and financial condition and to strengthen transparency and governance and resumed negotiations with the IMF conducive to financial and technical support. The policies implemented since then by the government seem to have precluded a worsening of the economic and financial situation and contributed to the stabilisation of the exchange and to an improvement in some activity sectors. However, the economic and financial situation remains challenging and further delays in the negotiations with the IMF and the implementation of structural reforms and the prescribed policies could worsen the country's economic and financial conditions and lead to a further loss of confidence of foreign investors and donors. Furthermore, any downward movements in the prices of commodities, namely aluminium and coal, could negatively impact the reform effort. Finally, a deterioration of the economic and financial situation may contribute to the rise of political tensions (Frelimo and Renamo have been holding start-stop talks aimed at ending a military conflict that was resumed in 2013). Any of these may negatively affect the business environment.

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

Despite the Mozambican banking sector's high concentration in 2015 the three largest banks had a combined market share of approximately 70%. The competitive environment is dynamic, with a total of 19 banking groups currently competing in the market. Mozambique exhibits a low level of banking activities, with low but increasing banking business volumes. The ratio of credit to the private sector to GDP stood at 35.4% at the end of 2015 (source: World Bank). Moreover, both credit and deposits recorded average annual growth rates above 20% between 2010 and 2015.

According to the IMF, the banking sector in Mozambique in September 2015: (i) had a return-on-equity ratio of 23.4%; (ii) may be considered adequately capitalised, with an equity capital ratio of 16.5%; (iii) may be considered liquid, with a ratio of loan-to-deposits of 79.9%; and (iv) has a moderate delinquency level with a ratio of overdue loans of 4.3%.

As at 30 June 2017, Millenium bim's ("BIM") exposure to the State of Mozambique included public debt securities denominated in MZN classified as financial assets available for sale and financial assets held to maturity in the amounts of EUR 279.6 million and EUR 99.5 million, respectively. These public debt securities mostly have a maturity of less than one year. As at 30 June 2017, the Group also has a direct exposure to the State of Mozambique in the amount of EUR 384.6 million (of which EUR 295.9 million is denominated in MZN and EUR 88.7 million is denominated in USD) and an indirect exposure resulting from sovereign guarantees received in the amount of EUR 294.7 million (of which EUR 139.7 million is denominated in MZN and EUR 155 million is denominated in USD). The amount of guarantees granted was EUR 32.9 million (of which EUR 1.2 is denominated in MZN and EUR 31.7 million is denominated in USD).

As at 30 June 2017, BCP Group's exposure to the USD-denominated debt of entities controlled or guaranteed by the State of Mozambique who have defaulted on their debt service obligations, amounted to USD 176.5 million, of which USD 70.2 million were in default. Impairments booked on these exposures amounted to USD 1.5 million. These exposures are related to State-guaranteed debt that was identified as previously undisclosed to the IMF. As of this date, in the assessment of BCP's management, these amounts are recoverable.

As at 30 June 2017, following the 66.7% indirect investment in BIM Group, the Bank's interest in BIM's equity amounted to EUR 244.4 million, with the exchange translation reserve associated with this participation a negative amount of EUR 147.8 million. BIM's contribution to consolidated net income for the first six months of 2017, attributable to the shareholders of the Bank, amounted to EUR 28.5 million.

### *Angola*

In Angola, the real GDP growth rate, after slowing down from 4.8% in 2014 to 3% in 2015, stagnated in 2016 (source: IMF, WEO September 2017). Since 2014, the fall of oil prices significantly reduced fiscal revenues and foreign exchange earnings from energy sector exports, a development that has especially hampered private consumption and public investment, leading to a reduction of the Angolan GDP growth rate. The developments in international oil markets also led to a scarcity of U.S. dollars in the Angolan economy, which in turn pressured the value of the Angolan Kwanza against the American currency downwards, leading to a rise in inflation and imposing the need for a more restrictive monetary policy and for a significant fiscal effort to ensure public debt sustainability.

Against this background, Angola's government has been taking important policy actions aimed at mitigating the impact of the oil price shock, namely by enacting strategies conducive to a more diversified economic structure and to the safety of the banking system. However, further policy initiatives are needed to strengthen the economy. In this context, risks could arise if the new president, who was elected in August 2017, fails to gather the political support to continue and deepen the implementation of important structural reforms to ensure economic diversification and exchange rate stability.

In the near term, the GDP growth pace is expected to remain slow, with a GDP growth rate of 1.3% projected by the IMF for 2017 and of 1.5% for 2018 (source: IMF, July 2017), as the Angolan economy remains considerably vulnerable to further decreases in the price of oil and consequently to a worsening of its economic and financial conditions.

Despite the large number of banks operating in Angola, with 28 banking institutions authorised in 2015, the Angolan banking sector shows a relatively high degree of concentration. In 2015, the five largest banks had a combined share of 69% of credit and 68% of deposits (source: Banco Nacional de Angola). Although the ratio of credit to the private sector to total GDP (27.2% in 2015) and the loans' annual growth rates (2% in 2015) are relatively low, the deposits have displayed great dynamism, registering annual growth rates of 14% in 2015.

In quantitative terms, the banking sector in Angola presented in 2015: (i) a return-on-equity ratio of 12.9%; (ii) adequate capitalisation levels, with a solvency ratio of 19.8%; (iii) high levels of liquidity, with a ratio of loans-to-deposits of 59% and (iv) a ratio of overdue loans of 11.6%.

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

***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 Group's operations are currently exposed in particular 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 transportation, energy, agriculture and mineral sectors, as well as land, social and fiscal reforms. Some of these markets may also suffer from geopolitical conflict, while a number of African states have unresolved political differences internally, regionally and/or internationally.

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, economic, military or legal disturbances. Both Mozambique and Angola impose certain restrictions due primarily to exchange policy controls and capital flows to and from other jurisdictions are likewise subject to such controls and restrictions. Therefore, the ability to transfer U.S. dollars and Euros 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, in Mozambique, the amount of dividends paid out to the Group in 2015 totalled EUR 18 million, while the Angolan company, which was a subsidiary at that time, paid out dividends amounting to approximately EUR 13 million, corresponding to 2015 and paid in 2016. Any of the factors detailed above or similar factors could adversely affect the Bank's business, financial condition, results of operations and prospects.

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

The Bank's main source of funding is its customer deposits (81% of the Bank's funding as at 30 June 2017, 79% as at 31 December 2016, from a liquidity management perspective). However, the persistence of interest rates at historically low levels (that are negative in some cases) over the past few years has resulted in the Bank investing deposits into instruments with higher potential yield. The Bank's other possible funding sources include money market instruments, medium and long term bonds, covered bonds, commercial paper, medium term structured products and the securitisation of its loan portfolio. The Bank has increasingly strengthened its own funds through capital increases (the most recent ones, amounting to EUR 1.33 billion and EUR 174.6 million through the Rights Offering and the private placement of 157,437,395 new shares, subscribed by Chiado, an affiliate of Fosun, completed in February 2017 and November 2016 respectively, following the capital increase amounting to EUR 481.2 million as a result of the public offer of securities, completed in June 2015, the share capital increases in cash of EUR 2.25 billion completed in July 2014 and the share capital increase of EUR 500 million completed in October 2012) and the June 2012 GSIs of EUR 3 billion (which GSIs have, as of 9 February 2017, been repaid in full).

The Bank's liquidity coverage ratio and the net stable funding ratio recorded as at 30 June 2017 were 155% and 123%, respectively, compared to a benchmark of 100% (fully implemented) for both ratios. The leverage ratio stood at 6.5% (phased in) and at 5.7% (fully implemented) as at 30 June 2017, compared to a reference value of 3% (fully implemented).

In case 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 business, financial condition, results of operations and prospects.

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

National and international regulators, including the IMF, the ECB and the EBA, have been conducting stress tests on the banking sector. On 29 July 2016, the EBA published the results of the 2016 EU-wide stress test, which involved a significant sample of EU banks, and disclosed the outcomes for 51 banks, of which 37 are directly supervised by the ECB, covering 70% of banking assets in the Eurozone.

The EBA-led stress test was conducted in coordination with the ECB. Besides the coordination of the exercise, the EBA was responsible for running the exercise for the major banks in the Eurozone. The ECB has conducted a parallel stress test for additional significant banks under its supervision, including BCP.

No minimum capital threshold to which the banks have to comply with was set, but the stress tests results will be taken as an input for the overall 2016 SREP. The minimum 5.5% CET 1 ratio (phased-in) required in 2014 was initially kept as a reference in the adverse scenario. The Bank is currently in compliance with SREP requirements; however, if the requirements change in the future, it could have an impact on the Bank's capital needs and adversely affect the Bank's business, financial condition, results of operations and prospects.

Regarding the Portuguese banks, the adverse scenario consisted of an economic recession, together with deflation, increase in unemployment, increase in public debt yields and massive real estate devaluation.

While BCP's CET 1 phased-in ratio stood at 7.2% under the adverse scenario (compared to 2.99% in the stress test of 2014), there can be no guarantee that this CET 1 ratio will be maintained in the future. Moreover, additional tests could reveal further need for capital in a specific bank or in the Portuguese banking system in general, and could lead to the approval of new regulations for the financial system.

The disclosure of the results of the stress tests may also result in a reduction in confidence in a particular bank or the banking system as a whole. The Bank cannot exclude the need for additional provisions for impairments. Consequently, new stress tests could adversely affect the cost of funding for the Bank and have a materially adverse impact on its business, financial condition, results of operations and prospects.

As a consequence of SREP, excluding P2G, the minimum CET 1 phased-in ratio required is 8.15%, the Tier 1 is 9.65% and the total capital ratio is 11.65% from 1 January 2017. The capital ratios in 30 June 2017 were 13.0% (phased in) and 11.3% (fully implemented).

SREP may increase and an additional cushion may be requested. In addition, Polish CET 1 requirements may increase, requiring further capital injection or preventing dividend payments, which would result in trapped capital in the Bank's Polish subsidiary.

***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 funding in the capital markets;
- the level of the Bank's current provisions against NPLs;
- the Bank's ability to reduce NPEs;
- 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 to the Bank's ratings;
- 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 to 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. 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 business, financial condition, results of operations and prospects. Property prices in Portugal have remained largely flat since 2000, particularly in comparison to property prices in Spain.

In particular, recent historic market volatility and illiquidity has challenged the factual bases of certain underlying assumptions and made it difficult to value some 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 business, 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 net loss and 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 were cut to zero, which could affect market interest rates. Furthermore, market interest rates could remain negative for a long period, as is the case with Euribor. 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, interest rate changes or volatility may materially and adversely affect the Bank's net income, business, financial condition, results of operations and prospects.

Although the data released for the Eurozone related to 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/or increased interest expense with deposits. This could result in material adverse effects on the Bank's business, financial condition, results of operations and prospects.

***The Bank currently operates in an environment of negative or close to zero short term interest rates (including ECB interest rates), which may continue for a long period of time, which could have a negative impact on the Bank's financial margin and results.***

As at the date of this Offering Circular, the interest applied by the ECB to the main refinancing operations is 0%, while the one that applies to permanent deposit facilities is -0.4%. These two interest rates, which serve as determinant references for the level at which market interest rates are established (in particular, Euribor), were consecutively reduced in the past 5 years.

The Bank's profitability depends largely on its ability to generate a financial margin (the difference between the interest rates perceived in credit operations and the interest rates paid to deposits).

A significant part of the Bank's funding comes from retail deposits. In a negative interest rate environment the Bank may not be able to reduce the remuneration rate of such deposits consistently with the reduction of the interest rate applicable to credit operations. On the other hand, very low interest rates may result in a reduction of deposits stock and force the Bank to resort to more expensive financing instruments.

The majority of the Bank's credit portfolio is comprised of variable interest rate loans, linked to Euribor. A continuous decline in or maintenance of market interest rates at the current low levels could lead to the erosion of the Bank's financial margin, which the Bank (given the current environment in which it operates), may not be able to mitigate through the increase of its loan portfolio. This could result in material adverse effects on the Bank's business, 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 financing, the fraudulent sale of financial products or breach of competition rules, or a departure from the way that the Group conducts, or is perceived to conduct, its business. Negative publicity and negative public opinion, particularly in relation to pending litigation or enquiries by regulators that could be resolved against the Bank's favour, could adversely affect the Bank's ability to maintain and attract customers and counterparties, the loss of which could adversely affect the Bank's business, financial condition and future prospects, due, for instance, to a run on deposits and subsequent lack of funding sources.

The Bank may be unable to detect money laundering, terrorism financing, tax evasion or tax avoidance behaviour by clients, which could be attributed to the Bank. Failure to manage such risk could lead to reputational damage and to financial penalties for failure to comply with required legal procedures or other aspects of applicable laws and regulations, which could materially adversely affect the Bank's business, results of operations, financial condition and prospects.

The Bank has a limited number of customers who are classified as politically exposed persons pursuant to the applicable legislation, including Notice No. 5/2013 of Banco de Portugal, as amended. 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. The composition of the Board of Directors of the Bank and/or its Executive Committee might change due primarily to decisions made by the shareholders or by the Board of Directors or due to other circumstances.

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 EC and the Portuguese State to reduce personnel costs. This agreement entered into force on 1 July 2014 and, besides reducing compensation, it suspends promotions, progressions and seniority payments that were to be paid up until the end of 2017. This salary reduction is to be returned to the employees, subject to approval by the Bank's General Meeting of Shareholders following a proposal from the Executive Committee.

During the last week of 2016, the negotiations that had been held since October with some unions were concluded. The purpose of the negotiations was to review the Collective Agreement (*Acordo Coletivo de Trabalho*), which had as its main objective to enable the Bank to adequately maintain the evolution of short-term employee costs (which objective is considered to have been achieved), in order to allow the Bank to achieve sustainable levels of profitability with the least possible impact on employees' lives.

This revision of the Collective Agreement covered a number of matters, among which the most relevant are (i) the commitment to anticipate, by July 2017, the reversal of the salary reductions that was only scheduled to occur on January 2018, provided that all GSIs would have been reimbursed during the first half of 2017 and (ii) the extension of the retirement age in order to align it with the social security age, which will allow the strengthening of the sustainability of pension funds.

Regarding the international operations, there has been a high staff turnover in the Bank's operations in Poland and Mozambique. In Poland, 1,042 employees left the Bank and 1,025 employees were hired in 2016, with the total number of employees by the end of 2016 being 5,844 (5,964 headcount). In Mozambique, the bank maintained its trend of growth in the number of employees with the recruitment of 224 employees. 178 employees left the Bank, thus, the Bank had 2,551 employees by the end of 2016.

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, results of operations and prospects.

***The coverage of pension fund liabilities could be insufficient, which would require an increase in contributions, and the computation of additional actuarial losses could be influenced by changes to assumptions.***

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 primarily covered by the pension fund, which is managed by Ocidental-Sociedade Gestora de Fundos de Pensões, S.A. The total number of the pension fund participants was 27,405 as at 30 June 2017 and 27,447 as at 31 December 2016.

The liabilities related to retirement pensions and other employee benefits (excluding liabilities regarding employee benefits not covered by the pension fund, namely the liability named extra-fund) were wholly funded at levels above the minimum limits defined by Banco de Portugal, presenting a coverage level of 115% at the end of June 2017 (112% as at 31 June 2016). As at 30 June 2017, the liabilities related to the pension fund and other employee benefits

(including liabilities regarding employee benefits not covered by the pension fund, namely the liability named extra-fund) reached EUR 3,056 million, compared with EUR 3,093 million recorded as at 31 December 2016. In the first six months of 2017, the pension fund recorded a positive 3.52% rate of return, whereas in 2016 it stood at negative 2.62%.

Regulation (EU) No. 475/2012, of 5 June 2012, which amended IAS 19, eliminated the option to defer the recognition of gains and losses, which is known as the corridor method.

Banco de Portugal authorised the maintenance of the corridor for prudential purposes only in the calculation of the phased in capital ratio, establishing its annulment within the period of five years, starting 1 January 2014. For the purposes of the fully implemented capital ratio, the corridor is no longer considered. Accordingly, as at 30 June 2017, the corridor plus the regulatory capital (CET 1) for purposes of the phased in capital ratio was of EUR 64 million. This value shall be progressively deducted to the phased in capital ratio until 2018.

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, which would be recognised against reserves in the financial year in which they were recorded. As at 30 June 2017, the Bank used a discount rate of 2.1% to measure its liability for the defined benefit pension plans of its employees and managers, equivalent to the rate used in its accounts as at 31 December 2016. In the financial statements with reference to 30 June 2017, the discount rate was at 2.1% and the pension growth rate 0% until 2019 and 0.5% after 2019. The Bank shall re-evaluate the adequacy of its actuarial assumptions for the calculation of its liabilities with pensions until the end of the year. A decrease in level of the interest rates for the liabilities liquidation deadline or an increase in the pensions growth rate would imply a decrease in the Bank's own capital. A decrease of 25 bps in the discount rate results in an increase of around EUR 132 million in the Bank's own capital, excluding the tax effect. An increase of 25 bps in the pensions' growth rate results in a reduction of around EUR 122 million in the Bank's own capital, excluding the tax effect.

Actuarial gains and losses resulting from the differences between the assumptions used and the values actually verified (experience gains and losses) and the changes in the actuarial assumptions are recognised against own capitals. In the six months ended 30 June 2017, actuarial differences represented positive EUR 46 million (negative EUR 303 million as at 31 December 2016). To the extent there are shortfalls in the pension fund's rate of return, the Bank would have to increase its contributions, which would have an impact on the Bank's regulatory capital ratios. 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 additional actuarial losses which could have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

Finally, the value of assets that are part of the pension fund depends on the future evolution of capital markets and of the real estate market. A decline in the capital markets and of the real estate market 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 business, financial condition, own capital and prospects.

***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. 84.6% of the Bank's employees in Portugal and 78.9% of all its employees were members of labour unions at the end of 2016 and 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, results of operations and prospects.

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

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 reduce 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 general 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 adopted by Risk Metrics (1996). It is calculated using a 10 business day time horizon and a unilateral statistical confidence interval of 99%. During the six months ended 30 June 2017, the average VaR for the global trading portfolio (according to prudential allocation) was below EUR 5 million, still impacted by Angola unit's portfolio. The interest rate risk derived from the operations of the banking book is assessed through a risk sensitivity analysis, undertaken every month, covering all the operations included in the Group's consolidated balance sheet. The sensitivity is determined by the difference between the present value of the interest rate mismatch (discounted at market interest rates) and the value of the same mismatch discounted at rates with +100 basis points (for all terms), worth positive EUR 68 million, as at 30 June 2017 and the value of the same mismatch discounted at rates with -100 basis points (for all terms), worth negative EUR 8 million, for the currency in which the Bank has the most significant position, the Euro.

The portfolio of shares, accounted either in trading or available for sale captions totalled EUR 50.0 million as at 30 June 2017, compared to EUR 55.7 million as at 31 December 2016 and EUR 176.7 million as at 31 December 2015. Any depreciation in the value of the Bank's share portfolio, could have a material adverse effect on its financial condition and results of operations.

The Bank has significant exposure to participation units in closed-end funds, which are companies with annual audited accounts, resulting from the transfer of restructured loans. The securities classified as level 3 include units in restructuring funds in the amount of EUR 1,067.8 million (EUR 1,113.5 million as at 31 December 2016) as at 30 June 2017 which value resulted from the 'Net assets attributable to unit holders' ("NAV") quote determined by the management company (as at 30 June 2017 this VLGf was related to the financial position of the funds as at 30 December 2016 and 31 March 2017) and after considering the effects of the last audited accounts for the respective funds. 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. It is not practicable to present a sensitivity analysis of the different components of the underlying assumptions used by entities in the presentation of NAV. Nevertheless it should be noted that a variation of +/- 10 % of the NAV has an impact of EUR 11.3 million as at 31 December 2016 (EUR 135.2 million as at 31 December 2015) on Equity. This impact includes the effect on fair value reserves of EUR 41.5 million (EUR 53 million as at 31 December 2015) and of EUR 75.3 million on Net income / (loss) for the period (EUR 82.2 million as at 31 December 2015).

The instruments classified as level 3 have associated net gains not performed in the amount of EUR 19.9 million as at 31 December 2016 (EUR 96.3 million as at 31 December 2015) recorded in fair value reserves. The amount of impairment associated with these securities amounts to EUR 536.4 million as at 31 December 2016 (EUR 282.5 million as at 31 December 2015) and no capital gains or losses were generated in the period.

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 targeting market risk could have a negative impact on the Bank's business, financial condition, results of operations and prospects.

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

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

The Bank's regulators frequently conduct inspections and request information in respect of the Bank's or its clients' activities and transactions. Any inspections 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, and may have an adverse effect on the Bank's ability to comply with certain contractual obligations or retain certain commercial relationships.

The Bank is subject to provisioning requirements, 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, bribery and terrorism financing. Compliance with anti-money laundering, anti-bribery and counter-terrorist financing rules entails significant cost and effort. Non-compliance with these rules may have serious consequences, including adverse legal and reputational consequences and consequences in the Bank's relationship with its clients, partners, service providers and other third parties. Although the Bank believes that its current anti-money laundering, anti-bribery and counter-terrorist financing policies and procedures are adequate to ensure compliance with applicable legislation, the Bank cannot guarantee that it has in the past or will comply, at all times, with all applicable rules or that its regulations for fighting money laundering, bribery and terrorism financing as extended to the whole Group are applied by its employees under all circumstances.

On 28 July 2017, BCP was notified by Banco de Portugal of an accusation under an administrative proceeding related to alleged violations of certain anti-money laundering procedures (administrative proceeding No. 24/16/CO), concerning certain additional customer due diligence measures and assessment and examination of operations. This relates to events that occurred mainly in 2012 and concerns two clients which were already subject to notification to the judicial authorities by BCP itself and to another client associated with them. On 4 September 2017, the Bank presented its defence.

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 Portuguese and/or EU 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. This can lead to material adverse effects on the Bank's business, financial condition, results of operations and prospects.

***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 the Bank's operational losses in 2016 and the six months ended 30 June 2017 were caused by frauds and execution failures and a large portion of the operational losses had low material significance, under EUR 100,000 (95% of all operational losses Group wide). In fact about 74% of the cases recorded in the six months ended 30 June 2017 had a financial impact of less than EUR 5,000 each. 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 business, 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 Group, 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. In March 2013, the Bank renewed the outsourcing agreement with IBM, which includes the management of computer infrastructures—central system, department systems and server farm for systems—some specific areas of application development and IT support services to the Bank's organic units.

The strategy for outsourcing the Group's IT services includes the outsourcing of non-differentiating functions and without impact on the definition of commercial and business strategies. The agreement with IBM was signed for the first time in 2003. In 2013, after a new direct negotiation with IBM, some application development services were outsourced, grouping various contracts with smaller companies and enabling global management of these services. The agreements have been signed for a 10 year period, being renegotiated every two years, taking into consideration the impacts of technological evolution (consolidation, virtualisation and cloud computing) and of changes in demand and market prices.

Regarding the security of the information systems, the Bank has continued to pursue a strategy aligned with good international practices. However, it is not possible to guarantee to potential investors complete identification and timely correction of all problems related to the informational technology systems, or systematic success in the implementation of technological improvements. 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 significant and negative effect on the Bank's business, 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, business, 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 agreed with the international insurance group Ageas to a partial recast of the strategic partnership agreements entered into in 2004, which included the sale of its 49% interest in the insurance companies that operate exclusively in the non-life insurance business, i.e. Ocidental-Companhia Portuguesa de Seguros, S.A. and in Médis—Companhia Portuguesa de Seguros de Saúde, S.A., subject to the required regulatory authorisation from the relevant authorities, for a base price of EUR 122.5 million, subject to a medium-term performance adjustment. The net contribution of Millennium bcp Ageas was EUR 17.4 million in the six months ended 30 June 2017. Ageas and the Bank also agreed that the joint venture would upstream excess capital totalling EUR 290 million to its shareholders, which was carried out in 2014 in accordance with the proportion of the stakes held by BCP and Ageas.

Following the sale, Millennium bcp continues, 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 Médis-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 held, as at 30 June 2017, 15.24% of the Bank's share capital and voting

rights) and BPA (in which BMA held 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. On 8 October 2015, BMA and BPA announced their merger to create one of the largest privately-owned banks in the country. This merger was completed on 22 April 2016, resulting in the creation of a significant institution in Angola (Banco Millennium Atlântico) with a market share of 11% in terms of credit and of 9% in deposits (source: Banco Nacional de Angola). This operation generated a positive impact on the phased-in capital ratio of around 40 basis points. It is not possible to predict in advance the success of the merged bank, nor whether the current partnership will remain the same.

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

The Bank carries out various proprietary treasury 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 primarily 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 risk 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 business, 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 hedging transactions to reduce its exposure to different types of risks associated with its business. 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 and in some cases a hedge may not be available to the Bank. Moreover, the way that gains or losses arising from certain ineffective hedges are recognised 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 that 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 business, financial condition, results of operations and prospects.

***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, financial condition, results of operations and prospects.

As at 30 June 2017, 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 16.4 billion (EUR 3.9 billion, compared to PLN 14.7 billion and EUR 3.3 billion as at 31 December 2016) and Millennium bim in Mozambique: MZN 24.8 billion (EUR 361 million, compared to MZN 13.4 billion and EUR 178 million as at 31 December 2016). 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 by the end of 2008, it still holds a considerable loan portfolio in foreign currency, mainly in Swiss francs (as at 30 June 2017, 33,8% of the total loan portfolio and 61.3% 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 by the high cost of zloty swaps. On 15 January 2015, the Swiss National Bank discontinued its minimum exchange rate which had been set at EUR/CHF 1.20 in September 2011. Simultaneously, the Swiss National Bank lowered the interest rate on sight deposit account balances that exceed a given exemption threshold by 0.5% to -0.75%. As a consequence, on the next day the Swiss franc appreciated 15% to around EUR/CHF 1.04 and the main index on the Swiss stock exchange went down around 8.7%. The EUR/CHF exchange rate is now free float. 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 Polish President announced a proposal of a plan for CHF-denominated mortgage loans in August 2016, according to which banks must return the cost of excessive foreign exchange spreads they charged their clients, potentially equalling several billion zloty. If this proposal enters into force, it could have a material adverse effect on the Bank's, business, financial condition, results of operations and prospects. See "*The Bank faces exposure to macroeconomic risks in its businesses in Europe (Poland) and Africa (Angola and Mozambique)*".

***The Bank might be exposed to non-identified risks or to an unexpected level of risks, notwithstanding the risk management policy 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 business, financial condition, results of operations and prospects.

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

In the scope of the Restructuring Plan, the Bank identified business portfolios in Portugal that it is expected to gradually divest/discontinue, not promoting new credit production. These portfolios are related to credit granted to customers, comprising loans to securities acquisition, highly leveraged secured lending in which LTV is not 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 has since implemented changes to its organisational structure with a view to managing this segment in a segregated way, and has developed and adopted the applicable internal rules framework and management practices specific to the Non-Core Business Portfolio.

As at 30 June 2017, such portfolios totalled EUR 8.6 billion of Exposure at Default, compared to EUR 9.2 billion as at 31 December 2016, and the Bank has committed to the goal of progressive reduction of these exposures. Their total should not exceed EUR 12 billion as at 31 December 2017. Notwithstanding the divestment of this loan 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 default.

Any of the aforementioned could result in a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

***The Bank may not be able to generate income to recover deferred taxes. Potential dilution of the shareholders' position may result from the conversion into capital of a potential special reserve that may have to be established according to the applicable legal framework, in particular in the case of negative net individual results. Changes in the law or a different interpretation of the relevant provisions of law may have an adverse impact on the capital ratio.***

The Bank's deferred tax assets ("DTAs") (on a consolidated basis) as at 30 June 2017 corresponded to EUR 3,165 million, compared to EUR 3,185 million as at 31 December 2016, and were generated by tax losses and temporary differences. The most notable sources of the Bank's DTAs non-dependent on future profitability are impairment losses amounting to EUR 923 million and related employee benefits amounting to EUR 762 million.

Deferred taxes are calculated on the basis of the tax rates which are expected to be applicable at the time of the reversal of the temporary differences, which correspond to the approved or substantially approved rates at the time of the balance sheet. Assets and liabilities for deferred taxes are presented for their net value when, pursuant to the applicable laws, current tax assets may be compensated with current tax liabilities and when the deferred items relate to the same tax.

If the Bank is not able to generate enough taxable income to enable the absorption of the temporary differences deductible for tax purposes, the deferred taxes may not be recovered. Additionally, the Bank may be forced to alter its evaluation as a result of corrections to the taxable income or to tax losses that it may be subject to.

Supported by the projection of taxable income for the years 2017 to 2028, the recoverability of DTAs related to the individual activity of the Bank was revalued as at 30 June 2017.

The expected generation of future taxable income in the individual activity of the Bank is mainly supported by the:

- (i) Improvement of net interest income, considering the interest rate curves in line with the market forecasts, namely the prospective evolution of Euribor;
- (ii) Stabilisation of the ratio of loans and advances to balance sheet customer funds at around 100%, simultaneously with a reduction of the NPEs, for which the projected contraction is consistent with the "Non-Performing Assets Reduction Plan" foreseen for the period 2017-2021; and
- (iii) Decrease in the cost of risk, supported by the expectation of a gradual recovery in economic activity.

In addition to the above-mentioned macroeconomic assumptions and the Bank's strategic priorities, a set of assumptions regarding the applicable tax regime for credit impairment and guarantees was considered in order to estimate the future taxable income and the recoverability of DTAs. Considering that the specific rules regarding the tax regime for credit impairment and guarantees for the tax periods beginning on or after 1 January 2017 have not been established to date, since the reference to the Bank of Portugal Notice No. 3/95 was only applicable until 31 December 2016 and the regime that will be effective from 1 January 2017 has not been established, for the purposes of projecting the future taxable income, the Issuer has assumed an approximation between the tax rules and accounting rules, as provided for in a bill amending Article 28-C of the IRC Code that is under consideration by the tax authorities. This bill was publicly referred to by the Secretary of State of Fiscal Issues in office until 13 July 2017 and to date the Issuer has had no indication that it will not be enacted as proposed or in a similar form. In accordance with such bill:

- The impairment losses resulting from individual analysis are deductible up to the amount corresponding to the application of the maximum reference percentages set by the Bank of Portugal on the value of the exposure not covered by assets given as collateral for the respective payment. In the

projections of future taxable income, the Issuer has assumed that impairment losses resulting from individual analysis are fully deductible.

- The impairment losses resulting from a collective analysis are deductible for 75% of the amount of the difference, when positive, calculated annually between the cumulative amount of these losses on the balance sheet at year end and the total amount of such losses that has been accepted as a tax deductible cost in previous taxation years.
- A transition period of 15 years with increasing percentages was established over which the stock of impairment losses for credit and guarantees that were not tax deductible until 31 December 2016 become deductible.

Additionally, as part of the assessment of the recoverability of DTAs, the Issuer has performed a sensitivity analysis based on the assumption of future maintenance of the tax regime applicable to impairment for credit and guarantees that was in force in 2016 (Bank of Portugal Notice No. 3/95). The result of this analysis is also consistent with the full recovery of the DTAs recorded as at 30 June 2017.

Law 61/2014, of 26 August 2014, approved an optional framework, with the possibility of subsequent waiver, according to which, upon certain events (including annual net losses on the solo financial statements, as well as liquidation as a result of voluntary dissolution, insolvency decided by the court or withdrawal of the respective licence), the DTAs that have resulted from the non-deduction of expenses and of reductions in asset values resulting from impairment losses in credits and from post-employment benefits or long-term employments, will be converted into tax credits. In this case, a special reserve corresponding to 110% of their amount must be created, which is intended to be incorporated into the share capital and a right to demand the issue of shares by the Bank in an amount equivalent to such special reserve is granted to the Portuguese Republic (“**State Rights**”), such right being acquirable by the shareholders through payment to the State of the same amount. The tax credits can be offset against tax debts of the beneficiaries (or of an entity with head office in Portugal within the same prudential consolidation perimeter) or reimbursed by the Portuguese Republic. Due to this framework, the recovery of the DTAs covered by Law 61/2014's optional framework is not dependent on future profitability.

Law 23/2016, of 19 August, limited the scope of the regime, determining that tax assets originated in expenses or negative asset variations accounted for after 1 January 2016 are not eligible for the optional framework. The framework set out in Law 61/2014, as amended by Law 23/2016, was further developed by (a) Ministerial Order (*Portaria*) 259/2016, of 4 October 2016, on the control and use of the tax credit and (b) Ministerial Order (*Portaria*) 293-A/2016, of 18 November 2016, concerning the conditions and proceedings for the acquisition by shareholders of the referred State Rights. Pursuant to this legislation, among other aspects, such rights are subject to an acquisition right by the shareholders on the date of creation of the State Rights exercisable on periods to be established by the Board of Directors up to 10 years from the date of their creation, and the issuing bank has to deposit in the name of the State the amount of the price corresponding to all the rights issued, within three months from the date of their creation, ahead and independently of their acquisition. Such deposit is redeemed when and to the extent that the State Rights are acquired by shareholders or are exercised by the State.

As disclosed below, pursuant to the general meeting held on 15 October 2014, the Bank adopted the optional framework approved by Law 61/2014 of 26 August 2014, described above. The CET 1 ratio, on the basis of the fully implemented Basel III framework, as at 30 June 2017, is estimated at 11.3% and already incorporates the effects of the application of the new framework which became effective on 1 January 2015.

If the Bank registers a net loss as at 31 December 2017, on an individual basis, then, under the provisions of Law 61/2014, of 26 August 2014, as amended, the Portuguese Republic will be granted State Rights, exercisable after the period of up to 10 years, during which shareholders will have the right to acquire such conversion rights from the State. If shares are finally issued pursuant to the exercise of such conversion rights, this would dilute the remaining shareholders of the Bank.

Among other factors that may affect the recoverability of the deferred tax assets and their composition regarding the deferred tax assets that fall within the scope of Law No. 61/2014, of 26 August 2014 the interpretation of the tax law is relevant, among other factors.

Additionally, in the 2015 and 2016 financial years, the Bank registered deferred tax assets regarding expenses and negative asset variations with post-employment or long term employment benefits and credit impairment losses accounted for up to 31 December 2014, which assets the Bank deems eligible for the purposes of the framework approved by Law 61/2014, of 26 August. A change in law or a different interpretation of the law, among other factors, could have an adverse impact on the Bank's capital ratio.

On 18 November 2016, the governmental decree (*Decreto Regulamentar*) 5/2016, concerning the maximum amounts of impairment losses and other value corrections for a specific credit risk deductible for purposes of assessment of taxable income in corporate income tax, was published. Among other aspects, the governmental decree provides that, regarding the provisions for impairments registered under Banco de Portugal Notice 3/95 and subject to annulment or reduction under Banco de Portugal Notice 5/2015, when calculating their taxable income regarding tax year 2016, taxpayers may choose to consider the positive difference (assessed as at 1 January 2016) between the amount of provisions for losses for credit impairments (constituted under Banco de Portugal Notice 3/95) and the impairments constituted as of 1 January 2016 relating to the same credits in accordance with the applicable accounting provisions, only for the part that remains unused and exceeds the tax losses computed in tax periods initiated on or after 1 January 2012 still available for deduction. The amount which is not considered for the calculation of taxable income under this framework shall be deducted from the balance of the tax losses mentioned above. The Bank opted to apply this transitional standard.

In 2016, the Bank also opted for the Special Regime for Taxation of Group Companies (RETGS).

Any of the aforementioned factors could result in a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

***The Bank is subject to the risk of internal and external fraud, crime, cybercrime, or other types of misconduct by employees or third parties which could have a material adverse effect on the Bank.***

The Bank is subject to the risk of fraud, crime, money laundering, cybercrime and other types of misconduct by employees and third parties, as well as to unauthorised transactions by employees, third party service providers and external staff, including "rogue trading". This type of risk could result in breaches of law, rules, regulations and internal policies, losses, claims, fines, regulatory action, legal proceedings or reputational damage.

In the area of payments, over the past years the Bank and especially the Bank's clients have been subject to cybercrime and fraud in the form of phishing and malware. European law tends to hold the Bank liable unless it provides proof of intentional misconduct or gross negligence by the client. Other forms of theft include violent robberies of ATMs, in which criminals use combustible gas, explosives or vehicles and heavy equipment to gain access to cash stored in ATMs.

The Bank may be subject to disruptions of its operating or information systems, arising from criminal acts by individuals and groups via cyberspace, which may interrupt the service to clients.

The Bank remains potentially exposed to the risk that the procedures implemented and the measures adopted with respect to the storage and processing of personal data relating to its customers may prove to be inadequate and/or not in compliance with the laws and regulations in force from time to time and/or may not be promptly or properly implemented by employees and associates, especially considering the imminent entry into force of the "General Data Protection Regulation" (Regulation (EU) 2016/679 of the European Parliament and of the council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC). Thus, the data could be subject to damage, loss, theft, disclosure or processing for purposes other than those authorised by the customers, or even use by unauthorised parties (whether third parties or employees of companies of the Bank). If any of these circumstances occur there could be a material adverse effect on the Bank's business, including its reputation, financial condition, results of operation or prospects.

Failure of the Bank's information technology systems could lead to a breach of regulations and (contractual) obligations and have a material adverse effect on the Bank's reputation, results of operations, financial condition and prospects. The continuous efforts of individuals and groups, including organised crime, via cyberspace to commit

fraud through electronic channels or to gain access to information technology systems used by the Bank (including with respect to clients' and Bank information held on those systems and transactions processed through these systems) are a growing threat to the Bank. The manifestations of risks to technology—including cyber security—change rapidly and require continued focus and investment. Given the increasing sophistication and scope of potential attacks via cyberspace, it is possible that future attacks may lead to significant breaches of security and loss of (personal) data. In addition, the Group may as a result not be able to access data or operate its systems, it may not be able to recover data, or establishing that data is not compromised may be very time consuming and costly.

There is a risk that cyber-security risk is not adequately managed or, even if adequately managed, a cyber-attack can take place and be successful, which could lead to breach of regulations, investigations and administrative enforcement by supervisory authorities and claims that may materially and adversely affect the Bank's business, reputation, results of operations, financial condition, prospects and its position in legal proceedings.

## **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.**

The Issuer has the right to redeem Notes (i) upon certain taxation events, (ii) in the case of Subordinated Notes, upon a change in regulatory classification of the Notes and (iii) if so specified in the applicable Final Terms, at its option. An optional redemption feature of Notes is likely to limit their market value. During any period when the Issuer may elect or is perceived to be able 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.

If the Issuer elects to redeem any Notes, there is a risk that the relevant Notes may be redeemed at times when the redemption proceeds are less than the current market value of the Notes or when prevailing interest rates may be relatively low, in which case Noteholders may only be able to reinvest the redemption proceeds in securities with a lower yield. 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 will bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Such a feature to convert the interest basis, and any conversion of the interest basis, may affect the secondary market in, and the market value of, such Notes as the change of interest basis may result in a lower interest return for Noteholders. Where the Notes convert from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may 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. Where the Notes convert from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on those Notes and could affect the market value of an investment in the relevant Notes.

**The interest rate on Reset Rate Notes will reset on each Reset Date, which can be expected to affect the interest payments on an investment in Reset Rate Notes and could affect the market value of Reset Rate Notes.**

Reset Rate Notes will initially bear interest at the Initial Rate of Interest until (but excluding) the First Reset Date. On the First Reset Date, the Second Reset Date (if applicable) and each Subsequent Reset Date (if any) thereafter, the interest rate will be reset to the sum of the applicable Mid-Swap Rate and the Reset Margin as determined by the Calculation Agent on the relevant Reset Determination Date (each such interest rate, a “**Subsequent Reset Rate**”), all as further described in Condition 4(b). The Subsequent Reset Rate for any Reset Period could be less than the Initial Rate of Interest or the Subsequent Reset Rate for prior Reset Periods and could affect the market for and the market value of an investment in the Reset Rate Notes.

**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 insolvency.**

The Issuer's obligations under Subordinated Notes will be unsecured and wholly subordinated to the claims of (a) creditors of the Issuer whose claims are admitted to proof in the winding-up of the Issuer and who are unsubordinated creditors of the Issuer, and (b) creditors of the Issuer whose claims are or are expressed to be subordinated to the claims of other creditors of the Issuer (other than those whose claims relate to obligations which constitute, or would, but for any applicable limitation on the amount of such capital, constitute Tier 1 instruments or Tier 2 instruments of the Issuer, or whose claims otherwise rank or are expressed to rank *pari passu* with, or junior to, the claims of holders of the Subordinated Notes); “**Tier 1 instruments**” has the meaning given to it by the Applicable Banking Regulations from time to time; “**Tier 2 instruments**” has the meaning given to it by the Applicable Banking Regulations from time to time; “**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 Issuer, 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; 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 Issuer. 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 Issuer 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.

The powers provided to resolution authorities in the BRRD include write down/conversion powers to ensure that capital instruments (including Additional Tier 1 and Tier 2 instruments) 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 in full or on a permanent basis, or their conversion in full into CET 1 instruments, to the extent required and up to their capacity, at the point of non-viability 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 of reducing or converting, according to an order of priority of credits in normal insolvency procedures, in a way that results in:

- (i) CET 1 instruments being written down or converted in proportion to the relevant losses; and then
- (ii) the principal amount of other capital instruments being written down and/or converted into CET 1 (Tier 1 and Tier 2 instruments).

On 23 November 2016, the European Commission published proposals to amend the BRRD which included a proposal extending the application of the power to write down or convert capital instruments at the point of non-viability to include eligible liabilities.

The taking of any such actions could adversely affect the rights of Noteholders, including the write-down or conversion (in whole or in part) of their Notes. Any such actions or the perceived likelihood of any such actions being taken may adversely impact the price or value of their investment in the Notes.

See the risk factor entitled "*The Banking Union may impose additional regulatory requirements that may condition the Bank's results, and relevant uncertainties remain regarding the definition and implementation of the European Deposit Insurance Scheme*" above and "*Description of the Business of the Group – Recent developments on the banking regulation*" below.

### **Limitation on gross-up obligation under the Subordinated Notes.**

The obligation under Condition 7 to pay additional amounts in the event of any withholding or deduction in respect of taxes on any payments under the terms of Subordinated Notes applies only to payments of interest and not to payments of principal or premium (as applicable). As such, the Issuer would not be required to pay any additional amounts under the terms of the Subordinated Notes to the extent any withholding or deduction applied to payments of principal or premium (as applicable). Accordingly, if any such withholding or deduction were to apply to any payments of principal or premium (as applicable) under any Subordinated Notes, Noteholders may receive less than the full amount of principal or premium (as applicable) due under such Notes upon redemption, and the market value of such Notes may be adversely affected.

### **Subordinated Notes: Remedies for Non-Payment.**

The sole remedy against the Issuer available to any Noteholder for recovery of amounts owing in respect of any payment of principal or interest in respect of any Subordinated Notes 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.

### **Reform and Regulation of “benchmarks”.**

So-called benchmarks such as the Euro Interbank Offered Rate (“**EURIBOR**”), ISDAFIX (now restructured and renamed the ICE Swap Rate) referenced swap rates and other indices which are deemed “benchmarks” (each a “**Benchmark**” and together, the “**Benchmarks**”), to which the interest on securities may be linked, have become the subject of regulatory scrutiny and recent national and international regulatory guidance and proposals for reform. Some of these reforms are already effective while others are still to be implemented. These reforms may cause the relevant benchmarks to perform differently than in the past, or have other consequences which may have a material adverse effect on the value of and the amount payable under the Notes.

International proposals for reform of Benchmarks include the European Council’s Regulation (EU) 2016/1011 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds (the “**Benchmark Regulation**”) which was published in the official journal on 29 June 2016. In addition to the aforementioned regulation, there are numerous other proposals, initiatives and investigations which may impact Benchmarks.

Any changes to a Benchmark as a result of the Benchmark Regulation or other initiatives, could have a material adverse effect on the costs of refinancing a Benchmark or the costs and risks of administering or otherwise participating in the setting of a Benchmark and complying with any such regulations or requirements. Such factors may have the effect of discouraging market participants from continuing to administer or participate in certain Benchmarks, trigger changes in the rules or methodologies used in certain Benchmarks or lead to the disappearance of certain Benchmarks.

The London Interbank Offered Rate (“**LIBOR**”), EURIBOR and other interest rate or other types of rates and indices which are deemed to be “benchmarks” are the subject of ongoing national and international regulatory reform. Following the implementation of any such potential reforms, the manner of administration of benchmarks may change, with the result that they may perform differently than in the past, or benchmarks could be eliminated entirely, or there could be other consequences which cannot be predicted. For example, on 27 July 2017, the UK Financial Conduct Authority announced that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021 (the “**FCA Announcement**”). The FCA Announcement indicates that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. The potential elimination of the LIBOR benchmark or any other benchmark, or changes in the manner of administration of any benchmark, could require an adjustment to the terms and conditions, or result in other consequences, in respect of any Notes linked to such benchmark (including but not limited to Floating Rate Notes whose interest rates are linked to LIBOR). Any such consequence could have a material adverse effect on the value of and return on any such Notes.

Although it is uncertain whether or to what extent any of the abovementioned changes and/or any further changes in the administration or method of determining a Benchmark could have an effect on the value of Notes which are linked to a Benchmark, investors should be aware that they face the risk that any changes to the relevant Benchmark may have a material adverse effect on the value of and the amount payable under the Notes.



## **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.**

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 Agent and the Issuer may, without the consent of the Noteholders, make modifications to the Notes or the Instrument in the circumstances further described in Condition 13.

### **Administrative co-operation in the field of taxation.**

Under EC Council Directive 2003/48/EC on the taxation of savings income in the form of interest payments (the "Savings Directive"), EU Member States are required to provide to the tax authorities of other EU Member States details of payments of interest (or income deemed equivalent for these purposes) paid by a person within its jurisdiction to an individual resident in that other EU Member State. In this respect it should be noted that the Savings Directive, as amended by Council Directive 2014/48/EU, of 24 March 2014, was repealed by Council Directive 2015/2060, of 10 November 2015. The aim was the adoption of a single and more comprehensive co-operation system in the field of taxation in the European Union under Council Directive 2011/16/EU, of 15 February 2011. Notwithstanding the repeal of the Savings Directive as of 1 January 2016, certain provisions will continue to apply in Portugal for a transitional period.

The new regime under Council Directive 2011/16/EU, as amended by Council Directive 2014/107/EU, of 9 December 2014, introduced the automatic exchange of information in the field of taxation concerning bank accounts and is in accordance with the Global Standard released by the Organisation for Economic Co-operation and Development in July 2014. This regime is generally broader in scope than the Savings Directive.

Under Council Directive 2014/107/EU, financial institutions are required to report to the tax authorities of their respective Member State (for the exchange of information with the state of residence) information regarding bank accounts, including depositary and custodial accounts, held by individual persons residing in a different Member State or entities which are controlled by one or more individual persons residing in a different Member State, after having applied the due diligence rules foreseen in the Council Directive. The information refers not only to personal information such as name, address, state of residence, tax identification number and date and place of birth, but also to the account balance at the end of the calendar year, and (a) in case of depositary accounts, the total gross amount of interest paid or credited to the account during the calendar year; or, (b) in the case of custodial accounts, the total gross amount of interest, dividends and any other income generated, as well as the proceeds from the sale or redemption of the financial assets paid or credited in the account during the calendar year to which the financial institution acted as custodian, broker, nominee, or otherwise as an agent for the account holder, among others.

Portugal has implemented Directive 2011/16/EU through Decree-Law No. 61/2013, of 10 May 2013. Also, Council Directive 2014/107/EU was implemented through Decree-Law No. 64/2016 of 11 October 2016.

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

The Agency Terms and the Notes (except Condition 2(b)) are governed by, and shall be construed in accordance with, English law. Condition 2(b) and 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.**

Under Portuguese law, income derived from the 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 No. 193/2005, of 7 November 2005, as amended, ("**the special regime approved by Decree-Law No. 193/2005**") 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 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 in accordance with Condition 7(a)(viii).

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, territory or region included in the "tax havens" list approved by Ministerial Order No. 150/2004 of 13 February 2004, as amended from time to time (hereafter "**Ministerial Order No. 150/2004**"), is subject to withholding tax at 35%, which is the final tax on that income, unless the special regime approved by Decree-Law No. 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, in accordance with paragraph (v) of Condition 7 (see also "*Limitation on gross-up obligation under the Subordinated Notes*").

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

#### **The Notes are unsecured and therefore subject to the resolution regime.**

The Notes are unsecured and therefore subject to the resolution regime, including the bail-in tool (see further "*Risk Factors – The Banking Union may impose additional regulatory requirements that may condition the Bank's results*" and "*Description of the Business of the Group – Recent developments on the banking regulation*" below). The impact on investors, in a resolution scenario, depends crucially on the rank of the liability in the resolution creditor hierarchy. In the event of resolution, inter alia: (i) the outstanding amount of the Notes may be reduced to zero or the Notes may be converted into ordinary shares of BCP or other instruments of ownership; (ii) a transfer of assets (e.g. to a bridge bank) or in a sale of business may limit the capacity of the Bank to meet its repayment obligations; and (iii) the maturity of any Notes or the interest rate under such Notes can be altered and the payments may be suspended for a certain period. When a resolution measure is applied no shareholder or creditor of the institution (including the Noteholders) subject to resolution may have losses greater than it would have if the institution had entered into liquidation ("no creditor worse off"). Noteholders may have a right to compensation if the treatment they receive in resolution is less favourable than the treatment they would have received under normal liquidation proceedings. This assessment must be based on an independent valuation of the firm. Completion of this assessment, as well as payment of any potential consideration, may occur considerably later than contractual payment dates.

### 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 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 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.

In addition, rating agencies may assign unsolicited ratings to the Notes. In such circumstances there can be no assurance that the unsolicited rating(s) will not be lower than the comparable solicited ratings assigned to the Notes, which could adversely affect the market value and liquidity of the Notes.

In general, European regulated investors are restricted under 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 and such liquidity may be sensitive to changes in financial markets. If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer and existing liquidity arrangements (if any) might not protect Noteholders from having to sell the Notes at substantial discount to their principal amount in case of financial distress of the Issuer. 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.

## GENERAL DESCRIPTION OF THE PROGRAMME

Under the Programme, the 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 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.

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 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 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 Issuer for the relevant issue.

## DOCUMENTS INCORPORATED BY REFERENCE

The following information, which is contained in the documents referred to below that 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 2015 Annual Report of BCP and its subsidiaries ("**BCP Group**"):

Balance Sheet	Page 139
Income Statement	Page 138
Cash Flows Statement	Page 140
Statement of Changes in Equity	Pages 141 to 142
Statement of Comprehensive Income	Page 142
Notes to the Consolidated Financial Statements	Pages 144 to 293
Audit Report	Pages 430 to 432

- (b) the following audited consolidated financial statements, notes and audit report set out at the following pages of the 2016 Annual Report of BCP Group:

Balance Sheet	Page 139
Income Statement	Page 136
Cash Flows Statement	Pages 140 to 141
Statement of Changes in Equity	Page 142
Statement of Comprehensive Income	Pages 137 to 138
Notes to the Consolidated Financial Statements	Pages 143 to 306
Audit Report	Pages 467 to 477

- (c) the following unaudited consolidated financial statements and the respective Auditor's Limited Review Report set out at the following pages of the 2017 First Half Report and Accounts of BCP Group:

Balance Sheet	Page 127
Income Statement	Page 123
Cash Flows Statement	Page 128
Statement of Changes in Equity	Page 129
Statement of Comprehensive Income	Page 124
Notes to the Consolidated Financial Statements	Pages 131 to 268
Limited Review Report	Page 272

- (d) 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), 17 July 2013, pages 97-123 (inclusive), 14 August 2014, pages 114-143 (inclusive), 23 October 2015, pages 113-142 (inclusive) and 16 February 2017, pages 124-153 (inclusive), prepared in connection with the Programme.

All financial information in this Offering Circular relating to the Bank for the years ended on 31 December 2015 and 31 December 2016 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 are a direct and accurate translation from their original Portuguese form. In the event of a discrepancy the original Portuguese version will prevail.

Copies of documents containing the information incorporated by reference in this Offering Circular can be obtained from the registered office of the Bank and from the specified offices of the Agent. Documents referred to in (a) and (b) above can be viewed electronically and free of charge at the Bank's website (<https://ind.millenniumbcp.pt/en/Institucional/investidores/Documents/RelatorioContas/2015/RCBCP2015EN.pdf> and <https://ind.millenniumbcp.pt/en/Institucional/investidores/Documents/RelatorioContas/2016/RCBCP2016EN.pdf>), respectively. Documents referred to in (c) above can be viewed electronically and free of charge at the Bank's website (<https://ind.millenniumbcp.pt/en/Institucional/investidores/Documents/RelatorioContas/2017/RCBCP1S2017ENb.pdf>). Earlier Offering Circulars published by the Issuer referred to in (d) above can be viewed electronically and free of charge at the following links:

- (i) 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);
- (ii) 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);
- (iii) Offering Circular dated 13 December 2005: <http://www.rns-pdf.londonstockexchange.com/rns/6415v-2005-12-14.pdf>;
- (iv) Offering Circular dated 21 September 2006: <http://www.rns-pdf.londonstockexchange.com/rns/5942k-2006-10-17.pdf>;
- (v) Offering Circular dated 18 April 2007: <http://www.rns-pdf.londonstockexchange.com/rns/2136v-2007-4-19.pdf>;
- (vi) Offering Circular dated 30 April 2008: <http://www.rns-pdf.londonstockexchange.com/rns/5208t-2008-4-30.pdf>;
- (vii) Offering Circular dated 28 April 2009: <http://web3.cmvm.pt/sdi2004/emitentes/docs/fsd14501.pdf>;
- (viii) Offering Circular dated 23 April 2010: <http://web3.cmvm.pt/sdi2004/emitentes/docs/fsd16971.pdf>;
- (ix) 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);

- (x) Offering Circular dated 28 June 2012:  
<http://tools.morningstar.co.uk/tsweu6nqxu/globaldocuments/document/documentHandler.ashx?DocumentId=40376822>;
- (xi) Offering Circular dated 17 July 2013:  
<http://tools.morningstar.co.uk/tsweu6nqxu/globaldocuments/document/documentHandler.ashx?DocumentId=54484167>;
- (xii) Offering Circular dated 14 August 2014:  
[http://ind.millenniumbcp.pt/pt/Institucional/investidores/Documents/PBase\\_02\\_11Set14.PDF](http://ind.millenniumbcp.pt/pt/Institucional/investidores/Documents/PBase_02_11Set14.PDF);
- (xiii) Offering Circular dated 23 October 2015:  
[http://www.ise.ie/debt\\_documents/Base%20Prospectus\\_884df237-9c7d-483e-b7c9-e711211f6b5a.PDF](http://www.ise.ie/debt_documents/Base%20Prospectus_884df237-9c7d-483e-b7c9-e711211f6b5a.PDF);  
and
- (xiv) Offering Circular dated 16 February 2017:  
<https://ind.millenniumbcp.pt/pt/Institucional/investidores/Documents/MTN-Final-Offering-Circular-28042017.pdf>.

Following the publication of this Offering Circular, a supplement may be prepared by the Issuer 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) 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.

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 incorporated by reference herein shall not form part of this Offering Circular.

The Issuer confirms that 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.



## FORM OF THE NOTES

The Notes are issued in dematerialised book entry form ("*forma escritural*") and are "*nominativas*" (i.e., 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). The Notes are issued in any specified denomination provided that in the case of any 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 Notes will be registered by Interbolsa as management entity of Central de Valores Mobiliários.

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.

Notes will only be tradable in one Specified Denomination.

As of the date of this Offering Circular, the 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 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 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 Notes.

The 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).

The Issuer may agree with any Dealer and the Agent 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]

**Banco Comercial Português, S.A. (the "Issuer")**

**Issue of [ ] [ ]**

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

**Euro Note Programme**

**[PROHIBITION OF SALES TO EEA RETAIL INVESTORS** - The Notes are not intended, from 1 January 2018, to be offered, sold or otherwise made available to and, with effect from such date, should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU ("**MiFID II**"); (ii) a customer within the meaning of Directive 2002/92/EC, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive (as defined below). Consequently no key information document required by Regulation (EU) No. 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]

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

- (a) in those Public Offer Jurisdictions mentioned in Paragraph 8 of Part B below, provided such person is of a kind specified in that paragraph, a Dealer, Manager or an Authorised Offeror (as such term is defined in the Offering Circular (as defined below)) and that the offer is made during the Offer Period specified in that paragraph and that any conditions relevant to the use of the Offering Circular are complied with; or
- (b) 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.]<sup>8</sup>

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<sup>8</sup> To be deleted in respect of the issue of Notes having a maturity of less than 365 days as a 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 17 November 2017 [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 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.millenniumbcp.pt](http://www.millenniumbcp.pt)), on the website of the Irish Stock Exchange (<http://www.ise.ie>) and on the website of the Central Bank ([www.centralbank.ie](http://www.centralbank.ie)).]<sup>9</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 17 November 2017. 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 17 November 2017 [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 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.millenniumbcp.pt](http://www.millenniumbcp.pt)), on the website of the Irish Stock Exchange (<http://www.ise.ie>) and on the website of the Central Bank ([www.centralbank.ie](http://www.centralbank.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 17 November 2017 [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)), on the website of the Irish Stock Exchange (<http://www.ise.ie>) and on the website of the Central Bank ([www.centralbank.ie](http://www.centralbank.ie)).]

When used in these Final Terms, "**Prospectus Directive**" means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and, where the context so requires in these Final Terms, shall include any relevant implementing measure in a relevant Member State of the European Economic Area.

- |    |  |   |
|----|--|---|
| 1. | Issuer:  | Banco Comercial Português, S.A.   |
| 2. | (a) Series Number:   | [ ]   |
|    | (b) Tranche Number:  | [ ]   |
|    | (c) 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]/[Not Applicable] |
| 3. | Specified Currency:  | [ ]   |
| 4. | Aggregate Nominal Amount   |   |
|    | (a) Tranche:   | [ ]   |

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<sup>9</sup> To be deleted in respect of the issue of Notes having a maturity of less than 365 days as a commercial paper under the Programme.

- (b) Series: [ ]
5. Issue Price of Tranche: [ ]% of the Aggregate Nominal Amount [plus accrued interest from [ ] (if applicable)]
6. (a) Specified Denomination(s): [ ]
- (b) Calculation Amount: [ ]
7. (a) Issue Date: [ ]
- (b) Interest Commencement Date: [[ ]/Issue Date/Not Applicable]
8. Maturity Date: [[ ]/ Interest Payment Date falling in or nearest to [ ]]
9. Interest Basis: [[ ]% Fixed Rate]  
[Reset Rate]  
[[ ] month [LIBOR/EURIBOR] +/- ]% Floating Rate]  
[Zero Coupon]  
(further particulars specified in [14/15/16/17] 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 16 below)
12. Put/Call Options: [Investor Put]  
[Issuer Call]  
[Issuer Call, subject to the Relevant Authority's prior permission (as set out in Condition 6(k))]  
[(further particulars specified in [19/20] below)]  
[Not Applicable]
13. (a) Status of the Notes: [Senior/Subordinated]
- (b) Date of [Board] approval: [ ] [Not Applicable]

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

14. **Fixed Rate Note Provisions** [Applicable/Not Applicable]
- (a) Rate(s) of Interest: [ ]% per annum payable in arrear on each Interest Payment Date
- (b) Interest Payment Date(s): [ ] in each year up to and including the Maturity Date
- (c) Day Count Fraction: [Actual/Actual (ICMA)] [30/360]
- (d) Determination Date(s): [[ ] in each year]/[Not Applicable]
15. **Reset Rate Note Provisions** [Applicable/Not Applicable]
- (a) Interest Payment Date(s): [ ] in each year up to and including the Maturity Date
- (b) Initial Rate of Interest [ ] per cent. per annum payable in arrear on each Interest

		Payment Date
(c)	First Margin	[[+/-][ ] per cent. per annum]/[Not Applicable]
(d)	Subsequent Margin:	[+/-][ ] per cent. per annum / [Not Applicable]
(e)	First Reset Date	[ ]
(f)	Second Reset Date:	[ ]/[Not Applicable]
(g)	Subsequent Reset Date(s):	[ ]/[Not Applicable]
(h)	Relevant Screen Page:	[ ]
(i)	Day Count Fraction:	[Actual/Actual (ICMA)][30/360]
(j)	Determination Date(s):	[ ] in each year]/[Not Applicable]
(k)	Mid-Swap Rate:	[Single Mid-Swap Rate]/[Mean Mid-Swap Rate]
(l)	Mid-Swap Maturity:	[ ]
(m)	Calculation Agent:	[ ]
(n)	Fixed Leg Swap Duration	[ ]
(o)	Mid-Swap Floating Leg Benchmark Rate:	[ ]
(p)	Business Centre(s):	[ ]
16.	<b>Floating Rate Note Provisions</b>	[Applicable/Not Applicable]
(a)	Specified Period(s)/Specified Interest Payment Dates:	[ ]
(b)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention] [Not Applicable]
(c)	Additional Business Centre(s):	[Not Applicable/[ ]]
(d)	Manner in which the Rate of Interest and Interest Amount is to be determined:	[Screen Rate Determination/ISDA Determination]
(e)	Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent):	[Not Applicable/[ ]]
(f)	Screen Rate Determination	
(i)	Reference Rate:	Reference Rate: [ ] month [LIBOR/EURIBOR]
(ii)	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]
		[ ]
	(iii) Relevant Screen Page:	[Reuters Screen Page LIBOR01 (or any successor page)] [Reuters Screen Page EURIBOR01 (or any successor page)] [ ]
(g)	ISDA Determination	
	(i) Floating Rate Option:	[ ]
	(ii) Designated Maturity:	[ ]
	(iii) Reset Date:	[ ]
(h)	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> )]
	(i) Margin(s):	[+/-][ ]% per annum
	(j) Minimum Rate of Interest:	[[ ]% per annum/Not Applicable]
	(k) Maximum Rate of Interest <sup>10</sup> :	[[ ]% per annum/Not Applicable]
	(l) Day Count Fraction:	[Actual/Actual (ISDA)] [Actual/Actual] [Actual/365 (Fixed)] [Actual/365 (Sterling)] [Actual/360] [30/360] [30E/360] [30E/360 (ISDA)]
17.	<b>Zero Coupon Note Provisions</b>	[Applicable/Not Applicable]
	(a) Accrual Yield:	[ ]% per annum
	(b) Reference Price:	[ ]
	(c) Day Count Fraction in relation to Early Redemption Amounts:	[30/360] [Actual/360] [Actual/365]

## PROVISIONS RELATING TO REDEMPTION

18.	Notice periods for Condition 6(b) (" <i>Redemption for Tax Reasons</i> "):	Minimum period: [ ] days Maximum period: [ ] days
19.	<b>Issuer Call</b>	[Applicable/Applicable subject to the Relevant Authority's prior permission (as set out in Condition 6(k))/Not Applicable]
	(a) Optional Redemption Date(s):	[ ]

<sup>10</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.

- (b) Optional Redemption Amount: [ ] per Calculation Amount
- (c) If redeemable in part:
- (i) Minimum Redemption Amount: [ ]
- (ii) Higher Redemption Amount: [ ]
- (d) Notice periods: Minimum period: [ ] days  
Maximum period: [ ] days
20. **Investor Put** [Applicable/Not Applicable]
- (a) Optional Redemption Date(s): [ ]
- (b) Optional Redemption Amount: [ ] per Calculation Amount
- (c) Notice periods: Minimum period: [ ] days  
Maximum period: [ ] days
21. Final Redemption Amount of each Note: [ ] per Calculation Amount
22. Early Redemption Amount payable on redemption for taxation reasons, upon a Capital Event (in the case of Subordinated Notes) 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

### 23. Form of Notes

Form: Book Entry Notes: *nominativas*

24. Additional Financial Centre(s): [Not Applicable/[ ]]

Signed on behalf of the Issuer:

By: .....  
*Duly authorised*

## PART B – OTHER INFORMATION

1. **Listing and Admission to Trading**

[Application [has been/will be] made by the Issuer (or on its behalf) for the Notes to be admitted to the Official List of the Irish Stock Exchange and trading on its Regulated Market with effect from [ ].] [Application [has been/will be] made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the regulated market of the [Euronext Lisbon/London Stock Exchange and listing on the Official List of the UK Listing Authority] 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 Sucursal en España [("**Standard & Poor's**")]]

[[ ] by Fitch Ratings Ltd. [("**Fitch**")]]

[[ ] by DBRS Ratings Limited [("**DBRS**")]]

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

[ ] by [Moody's/Standard & Poor's/Fitch/DBRS]]
  
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 its affiliates in the ordinary course of business.] [ ]
  
4. **Reasons for the Offer, Estimated Net Proceeds and Total Expenses**
  - (a) 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 [ ]].
  - (b) [Estimated net proceeds: [ ]]
  - (c) [Estimated total expenses: [ ]]
  
5. **Indication of yield (Fixed Rate Notes only)**

[[ ] [Not Applicable]



6. **Historic and future Interest Rates (Floating Rate Notes only)** [Details of historic and future [LIBOR/EURIBOR] rates can be obtained from [Reuters] [ ]] [Not Applicable]
7. **Operational Information**
- (a) ISIN: [ ]
- (b) Common Code: [ ]
- (c) Delivery: Delivery [against/free of] payment
- (d) Intended to be held in a manner which would allow Eurosystem eligibility: [Yes. 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]  
[No]
8. **Distribution**
- (a) If syndicated, names and addresses of Managers and underwriting commitments/quotas (material features): [Not Applicable/[ ]]
- (b) Date of [Subscription] Agreement: [ ]
- (c) Stabilisation Manager(s) (if any): [Not Applicable/*give name*]
- (d) If non-syndicated, name and address of relevant Dealer: [Not Applicable/[ ]]
- (e) Total commission and concession: [ ]% of the Aggregate Nominal Amount
- (f) U.S. Selling Restrictions: [Reg. S Compliance Category 2] [TEFRA C] [TEFRA rules not applicable]
- (g) 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 (g) and also paragraph 9 below*).
- (i) Public Offer Jurisdictions: [Portugal] [./and] [Ireland] [and] [the United Kingdom]
- (ii) Offer Period: [*Specify date*] until [*specify date or a formula such as "the Issue Date" or "the date which falls [ ] Business Days thereafter"*]
- (iii) Financial intermediaries granted specific consent to use the prospectus in [Insert names and addresses of financial intermediaries receiving consent (*specific consent*)] [Not Applicable]

accordance with the  
Conditions in it:

- |      |   |   |
|------|---|---|
| (iv) | General Consent:                              | [Not Applicable][Applicable]  |
| (v)  | Other Authorised Offeror Terms:               | [Not Applicable][Add here any other Authorised Offeror Terms]<br><br><i>(Authorised Offeror Terms should only be included here where General Consent is applicable)</i> |
| (h)  | General Consent:                              | [Not Applicable][Applicable]  |
| (i)  | Other conditions to consent:                  | [Not Applicable][ ]   |
| (j)  | Prohibition of Sales to EEA Retail Investors: | [Not Applicable][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 and identifiable from the Offering Circular/[ ].] |

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]

**Banco Comercial Português, S.A. (the "Issuer")**

Issue of [ ] [ ]

**under the EUR25,000,000,000  
Euro Note Programme**

### PART A – CONTRACTUAL TERMS

**[PROHIBITION OF SALES TO EEA RETAIL INVESTORS]** - The Notes are not intended, from 1 January 2018, to be offered, sold or otherwise made available to and, with effect from such date, should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU ("**MiFID II**"); (ii) a customer within the meaning of Directive 2002/92/EC, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive (as defined below). Consequently no key information document required by Regulation (EU) No. 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Offering Circular dated 17 November 2017 [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 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)), on the website of the Irish Stock Exchange (<http://www.ise.ie>) and on the website of the Central Bank ([www.centralbank.ie](http://www.centralbank.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 17 November 2017. 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 17 November 2017 [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 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)), on the website of the Irish Stock Exchange (<http://www.ise.ie>) and on the website of the Central Bank ([www.centralbank.ie](http://www.centralbank.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 17 November 2017 [as supplemented by the supplement[s] to the Listing Particulars dated [ ]] (the "**Listing Particulars**") which [together] constitute[s] the listing particulars for the

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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.

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)), on the website of the Irish Stock Exchange (<http://www.ise.ie>) and on the website of the Central Bank ([www.centralbank.ie](http://www.centralbank.ie)).

When used in these Final Terms, "**Prospectus Directive**" means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and, where the context so requires in these Final Terms, shall include any relevant implementing measure in a relevant Member State of the European Economic Area.

1. Issuer: Banco Comercial Português, S.A.
2. (a) Series Number: [ ]  
(b) Tranche Number: [ ]  
(c) 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]/[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. (a) Specified Denomination(s): [ ]  
(b) Calculation Amount: [ ]
7. (a) Issue Date: [ ]  
(b) Interest Commencement Date: [[ ]/Issue Date/Not Applicable]
8. Maturity Date: [[ ]/ Interest Payment Date falling in or nearest to [ ]]
9. Interest Basis:
  - [[ ]% Fixed Rate]
  - [Reset Rate]
  - [[ ] month [LIBOR/EURIBOR] +/- ]% Floating Rate]
  - [Zero Coupon]
  - (further particulars specified in [14/15/16/17] 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 16 below )
12. Put/Call Options:
  - [Investor Put]
  - [Issuer Call]
  - [Issuer Call, subject to the Relevant Authority's prior permission (as set out in Condition 6(k) below)]
  - [(further particulars specified in [19/20] below)]

- [Not Applicable]
13. (a) Status of the Notes: [Senior/Subordinated]
- (b) Date of [Board] approval: [ ] [Not Applicable]

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

14. **Fixed Rate Note Provisions** [Applicable/Not Applicable]
- (a) Rate(s) of Interest: [ ] % per annum payable in arrear on each Interest Payment Date
- (b) Interest Payment Date(s): [ ] in each year up to and including the Maturity Date
- (c) Day Count Fraction: [Actual/Actual (ICMA)] [30/360]
- (d) Determination Date(s): [[ ] in each year]/[Not Applicable]
15. **Reset Rate Note Provisions** [Applicable/Not Applicable]
- (a) Interest Payment Date(s): [ ] in each year up to and including the Maturity Date
- (b) Initial Rate of Interest [ ] per cent. per annum payable in arrear on each Interest Payment Date
- (c) First Margin [[+/-][ ] per cent. per annum]/[Not Applicable]
- (d) Subsequent Margin: [+/-][ ] per cent. per annum / [Not Applicable]
- (e) First Reset Date [ ]
- (f) Second Reset Date: [ ]/[Not Applicable]
- (g) Subsequent Reset Date(s): [ ]/[Not Applicable]
- (h) Relevant Screen Page: [ ]
- (i) Day Count Fraction: [Actual/Actual (ICMA)][30/360]
- (j) Determination Date(s): [[ ] in each year]/[Not Applicable]
- (k) Mid-Swap Rate: [Single Mid-Swap Rate]/[Mean Mid-Swap Rate]
- (l) Mid-Swap Maturity: [ ]
- (m) Calculation Agent: [ ]
- (n) Fixed Leg Swap Duration [ ]
- (o) Mid-Swap Floating Leg Benchmark Rate: [ ]
- (p) Business Centre(s): [ ]
16. **Floating Rate Note Provisions** [Applicable/Not Applicable]
- (a) Specified Period(s)/Specified Interest Payment Dates: [ ]
- (b) Business Day Convention: [Floating Rate Convention/Following Business Day]

		Convention/Modified Following Business Day Convention/Preceding Business Day Convention] [Not Applicable]
(c)	Additional Business Centre(s):	[Not Applicable/[ ]]
(d)	Manner in which the Rate of Interest and Interest Amount is to be determined:	[Screen Rate Determination/ISDA Determination]
(e)	Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent):	[Not Applicable/[ ]]
(f)	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 Screen Page LIBOR01 (or any successor page)] [Reuters Screen Page EURIBOR01 (or any successor page)] [ ]
(g)	ISDA Determination	
	• Floating Rate Option:	[ ]
	• Designated Maturity:	[ ]
	• Reset Date:	[ ]
(h)	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> )]
(i)	Margin(s):	[+/-][ ]% per annum
(j)	Minimum Rate of Interest:	[ ]% per annum/Not Applicable]
(k)	Maximum Rate of Interest <sup>2</sup> :	[ ]% per annum/Not Applicable]
(l)	Day Count Fraction:	[Actual/Actual (ISDA)] [Actual/Actual] [Actual/365 (Fixed)] [Actual/365 (Sterling)] [Actual/360] [30/360]

<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.



		[30E/360] [30E/360 (ISDA)]
17.	<b>Zero Coupon Note Provisions</b>	[Applicable/Not Applicable]
	(a) Accrual Yield:	[ ] % per annum
	(b) Reference Price:	[ ]
	(c) Day Count Fraction in relation to Early Redemption Amounts:	[30/360] [Actual/360] [Actual/365]

## PROVISIONS RELATING TO REDEMPTION

18.	Notice periods for Condition 6(b) (" <i>Redemption for Tax Reasons</i> "):	Minimum period: [ ] days Maximum period: [ ] days
19.	<b>Issuer Call</b>	[Applicable/Applicable subject to the Relevant Authority's prior permission (as set out in Condition 6(k))/Not Applicable]
	(a) Optional Redemption Date(s):	[ ]
	(b) Optional Redemption Amount:	[ ] per Calculation Amount
	(c) If redeemable in part:	
	(i) Minimum Redemption Amount:	[ ]
	(ii) Higher Redemption Amount:	[ ]
	(d) Notice periods:	Minimum period: [ ] days Maximum period: [ ] days
20.	<b>Investor Put</b>	[Applicable/Not Applicable]
	(a) Optional Redemption Date(s):	[ ]
	(b) Optional Redemption Amount:	[ ] per Calculation Amount
	(c) Notice periods:	Minimum period: [ ] days Maximum period: [ ] days
21.	Final Redemption Amount of each Note:	[ ] per Calculation Amount
22.	Early Redemption Amount payable on redemption for taxation reasons, upon a Capital Event (in the case of Subordinated Notes) or on event of default:	[ ] per Calculation Amount  <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

23. **Form of Notes**

Form:

Book Entry Notes: *nominativas*

24. Additional Financial Centre(s):

[Not Applicable/[ ]]

Signed on behalf of the Issuer:

By: .....

*Duly authorised*

## PART B – OTHER INFORMATION

1. **Listing and Admission to Trading**
  - (a) Listing and admission to trading: [Application [has been/will be] made by the Issuer (or on its behalf) for the Notes to be admitted to the Official List of the Irish Stock Exchange and trading on its Regulated Market with effect from [ ].] [Application [has been/will be] made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the regulated market of the [Euronext Lisbon/London Stock Exchange and listing on the Official List of the UK Listing Authority] with effect from [ ].] [Not Applicable]
  - (b) 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 Sucursal en España [("**Standard & Poor's**")]]

[[ ] by Fitch Ratings Ltd. [("**Fitch**")]]

[[ ] by DBRS Ratings Limited [("**DBRS**")]]

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

[ ] by [Moody's/Standard & Poor's/Fitch/DBRS]]
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 its affiliates in the ordinary course of business.] [ ]
4. **Indication of yield (Fixed Rate Notes only)** [ ] [Not Applicable]
5. **Historic and future Interest Rates (Floating Rate Notes only)** [Details of historic and future [LIBOR/EURIBOR] rates can be obtained from [Reuters] [ ].] [Not Applicable]
6. **Operational Information**
  - (a) ISIN: [ ]

- (b) Common Code: [ ]
- (c) Delivery: Delivery [against/free of] payment
- (d) Intended to be held in a manner which would allow Eurosystem eligibility: [Yes. 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]  
[No]]

## 7. Distribution

- (a) If syndicated, names of Managers: [Not Applicable/[ ]]
- (b) Date of [Subscription] Agreement: [ ]
- (c) Stabilisation Manager(s) (if any): [Not Applicable/*give name*]
- (d) If non-syndicated, name of relevant Dealer: [Not Applicable/[ ]]
- (e) U.S. Selling Restrictions: [Reg. S Compliance Category 2] [TEFRA C] [TEFRA rules not applicable]
- (f) Prohibition of Sales to EEA Retail Investors: [Not Applicable][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 Note. The applicable Final Terms in relation to any Notes completes the information regarding the following Terms and Conditions and will be incorporated into each 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**") by Banco Comercial Português, S.A. (the "**Issuer**"). Notes are integrated in the Interbolsa book entry system and governed by these conditions and a deed poll given by the Issuer in favour of the holders of Notes dated 17 November 2017 (the "**Instrument**"). References herein to the "**Notes**" shall be references to the Notes of this Series. The Notes also have the benefit of Agency Terms dated 17 November 2017 (such Agency Terms as amended and/or restated and/or supplemented from time to time, the "**Agency Terms**") and made by Banco Comercial Português, S.A. as Issuer and as agent (the "**Agent**" which expression shall include any successor agent).

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 (a "**Senior Note**") or (ii) a subordinated Note (a "**Subordinated Note**").

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 (A) expressed to be consolidated and form a single series and (B) 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 Agency Terms and the applicable Final Terms are available for inspection at the registered office of the Agent, being at Praça Dom João I, 4000-295 Oporto, Portugal. 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 holders of the relevant Notes ("**Noteholders**") are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Instrument, the Agency Terms and the applicable Final Terms which are binding on them.

Words and expressions defined in the Instrument or the Agency Terms 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 Terms and the Instrument, the Instrument will prevail and that, in the event of inconsistency between the Agency Terms or the Instrument 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 will be in book entry form ("*forma escritural*"), being "*nominativas*" (i.e. 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) 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 Reset 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.

Title to the Notes passes upon registration in the relevant individual securities accounts held with an Affiliated Member of Interbolsa.

Subject as set out below, the Issuer and the Agent will (except as otherwise required by law) deem and treat any person in whose name a 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.

## **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 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*

If the Notes are specified as Subordinated Notes, the Notes are direct, unconditional and unsecured obligations of the Issuer, save that the claims of the holders of the Notes in respect of payments pursuant thereto will, in the event of the winding-up of the Issuer, (to the extent permitted by Portuguese law) be wholly subordinated to the claims of all Senior Creditors of the Issuer and shall rank:

- (i)* at least *pari passu* with the claims of holders of all obligations of the Issuer which constitute, or would but for any applicable limitation on the amount of such capital constitute, Tier 2 instruments of the Issuer; and
- (ii)* in priority to (1) the claims of holders of all obligations of the Issuer which constitute, or would but for any applicable limitation on the amount of such capital constitute, Tier 1 instruments of the Issuer, (2) the claims of holders of all undated or perpetual subordinated obligations of the Issuer (other than any such obligations which rank, or are expressed to rank, *pari passu* with, or in priority to, the Subordinated Notes), (3) the claims of holders of all classes of share capital of the Issuer and (4) the claims of holders of all other obligations of the Issuer which rank, or are expressed to rank, junior to the Subordinated Notes.

The subordination of the Notes is for the benefit of the Issuer and all Senior Creditors of the Issuer. "Senior Creditors of the Issuer" means (a) creditors of the Issuer whose claims are admitted to proof in the winding-up of the Issuer and who are unsubordinated creditors of the Issuer, and (b) creditors of the Issuer whose claims are or are expressed to be subordinated to the claims of other creditors of the Issuer (other than those whose claims relate to obligations which constitute, or would, but for any applicable limitation on the amount of such capital, constitute Tier 1 instruments or Tier 2 instruments of the Issuer, or whose claims otherwise rank or are expressed to rank *pari passu* with, or junior to, the claims of holders of the Subordinated Notes); "Tier 1 instruments" has the meaning given to it by the Applicable Banking Regulations from time to time; and "Tier 2 instruments" has the meaning given to it by the Applicable Banking Regulations from time to time.

No Noteholder of Subordinated Notes may exercise or claim any right of set-off or netting in respect of any amount owed by it to the Issuer arising out of or in connection with the Subordinated Notes and each

such Noteholder shall, by virtue of its subscription, purchase or holding of any Subordinated Note, be deemed to have waived all such rights of set-off or netting.

To the extent that any set-off takes place, whether by operation of law or otherwise, between: (y) any amount owed by the Issuer to a Noteholder arising under or in connection with the Subordinated Notes; and (z) any amount owed to the Issuer by such Noteholder, such Noteholder will immediately transfer such amount which is set-off to the Issuer or, in the event of its winding up or dissolution, the liquidation or insolvency estate, to be held on trust for the Senior Creditors of the Issuer.

### 3. Negative Pledge

This Condition 3 shall apply only to Senior Notes and references to "**Notes**" and "**Noteholders**" shall be construed accordingly.

So long as any of the Notes remains outstanding (as defined in the Instrument), the Issuer shall not 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 an equal and rateable interest in the same or, at the option of the Issuer, providing to the Noteholders such other security as shall be approved by an Extraordinary Resolution (as defined in the Instrument) of the Noteholders save that the Issuer 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 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 that belonged to a company whose assets or undertaking have become part of the assets or undertaking of the Issuer pursuant to an amalgamation or merger of such company with the Issuer, 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 Issuer 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 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. Interest

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

- (a) *Interest on Fixed Rate Notes*

This Condition 4(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 4(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 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 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 in accordance with Interbolsa's usual rules and operating procedures.

Such interest shall be calculated in respect of any period by applying the Rate of Interest to the aggregate outstanding nominal amount of the Fixed Rate Notes and 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.

In this Condition 4(a):

**"Day Count Fraction"** means, in respect of the calculation of an amount of interest in accordance with this Condition 4(a):

- (A) if **"Actual/Actual (ICMA)"** is specified in the applicable Final Terms:
- (I) 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
  - (II) 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
- (B) 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 Reset Rate Notes*

This Condition 4(b) applies to Reset Rate Notes only. The applicable Final Terms contain provisions applicable to the determination of the reset rate of interest and must be read in conjunction with this Condition 4(b) for full information on the manner in which interest is calculated on Reset Rate Notes. In particular, the applicable Final Terms will identify the Interest Payment Date(s), the Initial Rate of Interest, the First Margin, the Subsequent Margin (if any), the First Reset Date, the Second Reset Date (if any), the Subsequent Reset Date(s) (if any), the Relevant Screen Page, the Day Count Fraction, the Determination Date(s) (if any), the Mid-Swap Rate, the Mid-Swap Maturity, the Calculation Agent, the Fixed Leg Swap Duration, the Mid-Swap Floating Leg Benchmark Rate and the Business Centre(s).

For the purpose of these Conditions, “**Relevant Screen Page**” means the Relevant Screen Page specified in the applicable Final Terms.

- (i) Each Reset Rate Note bears interest (i) from (and including) the Interest Commencement Date specified in the relevant Final Terms) to (but excluding) the First Reset Date at the rate per annum equal to the Initial Rate of Interest; (ii) from (and including) the First Reset Date until (but excluding) the Second Reset Date or, if no such Second Reset Date is specified in the relevant Final Terms, the Maturity Date, at the rate per annum equal to the First Reset Rate of Interest; and (iii) for each subsequent period thereafter (if any), at the rate per annum equal to the relevant Subsequent Reset Rate of Interest (in each case rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards), payable in each case, in arrear on the Interest Payment Date(s) so specified in the relevant Final Terms.
- (ii) If on any Reset Determination Date the Relevant Screen Page is not available or the Mid-Swap Rate does not appear on the Relevant Screen Page, the Calculation Agent shall request each of the Reference Banks to provide the Calculation Agent with its Mid-Market Swap Rate Quotation as at approximately 12 (noon) in the principal financial centre of the Specified Currency on the Reset Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with Mid-Market Swap Rate Quotations, the First Reset Rate of Interest or the Subsequent Reset Rate of Interest (as applicable) for the relevant Reset Period shall be the sum converted as set out in the definition of First Reset Rate of Interest or Subsequent Reset Rate of Interest (as applicable) of the arithmetic mean (rounded, if necessary, to the nearest 0.001 per cent. (0.0005 per cent. being rounded upwards)) of the relevant Mid-Market Swap Rate Quotations and the First Margin or Subsequent Margin (as applicable), all as determined by the Calculation Agent. If none or only one of the Reference Banks provides the Calculation Agent with a Mid-Market Swap Rate Quotation as provided in the foregoing provisions of this paragraph, the First Reset Rate of Interest or the Subsequent Reset Rate of Interest (as applicable) shall be determined to be the Rate of Interest as at the last preceding Reset Date or, in the case of the first Reset Determination Date, the First Reset Rate of Interest shall be the Rate of Interest before the First Reset Date (adjusted, in the case of any Reset Rate Notes that are Senior Notes, to take into account any change in the prevailing Margin).
- (iii) The Rate of Interest and the amount of interest payable (the “**Reset Interest Amount**”) shall be determined by the Calculation Agent, (A) in the case of the Rate of Interest, at or as soon as practicable after each time at which the Rate of Interest is to be determined, and (B) in the case of the Reset Interest Amount in accordance with the provisions for calculating amounts of interest in Condition 4(a) and, for such purposes, references in the third paragraph of Condition 4(a) to “Fixed Rate Notes” shall be deemed to be to “Reset Rate Notes”, “Rate of Interest” shall be to “First Reset Rate of Interest” or “Subsequent Reset Rate of Interest” (as applicable) and Condition 4(a) shall be construed accordingly.
- (iv) The Calculation Agent will cause the Rate of Interest (other than the Initial Rate of Interest) and each related Reset Interest Amount to be notified to the Issuer and any stock exchange on which the relevant Reset Rate Notes are for the time being listed and notice thereof to be published in

accordance with Condition 12 as soon as possible after their determination but in no event later than the fourth Lisbon Business Day (as defined below) thereafter. For the purposes of this subparagraph (iv), the expression "**Lisbon 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 Lisbon.

- (v) If for any reason the Calculation Agent at any time after the Issue Date defaults in its obligation to determine the Rate of Interest or calculate any Reset Interest Amount in accordance with Condition 4(b)(iii) above, the Issuer 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), it shall deem fair and reasonable and such determination or calculation shall be deemed to have been made by the Calculation Agent.
- (vi) All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 4(b) by the Calculation Agent, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Agent, the Calculation Agent and all Noteholders and (in the absence as aforesaid) no liability to the Issuer or the Noteholders shall attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.
- (vii) For the purposes of this Condition 4(b):

**"Calculation Agent"** has the meaning specified in the applicable Final Terms;

**"First Margin"** means the margin specified as such in the relevant Final Terms;

**"First Reset Date"** means the date specified in the relevant Final Terms;

**"First Reset Period"** means the period from (and including) the First Reset Date until (but excluding) the Second Reset Date or, if no such Second Reset Date is specified in the relevant Final Terms, the Maturity Date;

**"First Reset Rate of Interest"** means, in respect of the First Reset Period and subject to Condition 4(b)(ii) above, the rate of interest determined by the Calculation Agent on the relevant Reset Determination Date as the sum, converted from a basis equivalent to the Fixed Leg Swap Duration specified in the applicable Final Terms to a basis equivalent to the frequency with which scheduled interest payments are payable on the Notes during the relevant Reset Period (such calculation to be determined by the Issuer in conjunction with a leading financial institution selected by it), of the relevant Mid-Swap Rate and the First Margin;

**"Fixed Leg Swap Duration"** has the meaning specified in the applicable Final Terms;

**"Initial Rate of Interest"** has the meaning specified in the applicable Final Terms;

**"Margin"** means the First Margin or any Subsequent Margin (as applicable);

**"Mid-Swap Maturity"** has the meaning given in the relevant Final Terms;

**"Mid-Market Swap Rate"** means for any Reset Period the mean of the bid and offered rates for the fixed leg payable with a frequency equivalent to the Fixed Leg Swap Duration specified in the Final Terms (calculated on the day count basis customary for fixed rate payments in the Specified Currency, such day count basis as determined by the Calculation Agent) of a fixed for floating interest rate swap transaction in the Specified Currency which transaction (i) has a term equal to the relevant Reset Period and commencing on the relevant Reset Date, (ii) is in an amount that is representative for a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market and (iii) has a floating leg based on the Mid-Swap Floating Leg Benchmark Rate for the Mid-Swap Maturity (as specified

in the relevant Final Terms) (calculated on the day count basis customary for floating rate payments in the Specified Currency, such day count basis as determined by the Calculation Agent);

**“Mid-Market Swap Rate Quotation”** means a quotation (expressed as a percentage rate per annum) for the relevant Mid-Market Swap Rate;

**“Mid-Swap Floating Leg Benchmark Rate”** means the rate as specified in the relevant Final Terms;

**“Mid-Swap Rate”** means, in relation to a Reset Determination Date and subject to provision (b) above, either:

(A) if Single Mid-Swap Rate is specified in the relevant Final Terms, the rate for swaps in the Specified Currency:

(I) with a term equal to the relevant Reset Period; and

(II) commencing on the relevant Reset Date,

which appears on the Relevant Screen Page or such replacement page on that service which displays the information; or

(B) if Mean Mid-Swap Rate is specified in the relevant Final Terms, the arithmetic mean (expressed as a percentage rate per annum and rounded, if necessary, to the nearest 0.001 per cent. (0.0005 per cent. Being rounded upwards)) of the bid and offered swap rate quotations for swaps in the Specified Currency:

(I) with a term equal to the relevant Reset Period; and

(II) commencing on the relevant Reset Date,

which appear on the Relevant Screen Page or such replacement page on that service which displays the information,

in either case, as at approximately 11.00 a.m. in the principal financial centre of the Specified Currency on such Reset Determination Date, all as determined by the Calculation Agent;

**“Rate of Interest”** means the Initial Rate of Interest, the First Reset Rate of Interest or the Subsequent Reset Rate of Interest, as applicable;

**“Reference Banks”** means the principal office in the principal financial centre of the Specified Currency of four major banks in the swap, money, securities or other market most closely connected with the relevant Mid-Swap Rate as selected by the Issuer on the advice of an investment bank of international repute;

**“Reset Business Day”** means 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 any Business Centre specified in the applicable Final Terms;

**“Reset Date”** means the First Reset Date, the Second Reset Date and each Subsequent Reset Date (as applicable);

**“Reset Determination Date”** means, in respect of the First Reset Period, the second Reset Business Day prior to the First Reset Date, in respect of the first Subsequent Reset Period, the second Reset Business Day prior to the Second Reset Date and, in respect of each Subsequent Reset Period thereafter, the second Reset Business Day prior to the first day of each such Subsequent Reset Period, or in each case as specified in the relevant Final Terms;

**“Reset Period”** means the First Reset Period or a Subsequent Reset Period, as the case may be;

“**Second Reset Date**” means the date specified in the relevant Final Terms;

“**Subsequent Margin**” means the margin specified as such in the relevant Final Terms;

“**Subsequent Reset Date**” means the date or dates specified in the relevant Final Terms;

“**Subsequent Reset Period**” means the period from (and including) the Second Reset Date to (but excluding) the next Subsequent Reset Date (or, if no such Subsequent Reset Date is specified in the relevant Final Terms, the Maturity Date), and each successive period from (and including) a Subsequent Reset Date to (but excluding) the next succeeding Subsequent Reset Date (or, if no such Subsequent Reset Date is specified in the relevant Final Terms, the Maturity Date); and

“**Subsequent Reset Rate of Interest**” means, in respect of any Subsequent Reset Period and subject to Condition 4(b)(ii) above, the rate of interest determined by the Calculation Agent on the relevant Reset Determination Date as the sum, converted from a basis equivalent to the Fixed Leg Swap Duration specified in the applicable Final Terms to a basis equivalent to the frequency with which scheduled interest payments are payable on the Notes during the relevant Reset Period (such calculation to be determined by the Issuer in conjunction with a leading financial institution selected by it), of the relevant Mid-Swap Rate and the relevant Subsequent Margin.

(c) *Interest on Floating Rate Notes*

(i) Interest Payment Dates

This Condition 4(c) 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 4(c) 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 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:

- (I) in any case where Specified Periods are specified in accordance with Condition 4(c)(i)(B) above, the Floating Rate Convention, such Interest Payment Date (a) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (ii) below shall apply *mutatis mutandis* or (b) 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 (i) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (ii) 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
- (II) 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
- (III) 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
- (IV) 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:

- (1) 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 (other than TARGET2 System) specified in the applicable Final Terms;
- (2) if TARGET2 System is specified as an Additional Business Centre in the applicable Final Terms, a day on which Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the "TARGET2 System") is open; and
- (3) either (a) 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 (b) in relation to any sum payable in Euro, a day on which 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 4(c)(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 shall request each of the Reference Banks (as defined below) to provide the 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 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.

If on any Interest Determination Date one only or none of the Reference Banks provides the 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 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 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 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 Issuer suitable for such purpose) informs the 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 4(c)(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 the aggregate outstanding nominal amount of the Notes and 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.

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

- (1) 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 (1) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (2)

the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);

- (II) if "**Actual/365 (Fixed)**" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;
- (III) 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;
- (IV) if "**Actual/360**" is specified in the applicable Final Terms the actual number of days in the Interest Period divided by 360;
- (V) 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;

- (VI) 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

- (VII) 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 (x) that day is the last day of February or (y) 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 (x) that day is the last day of February but not the Maturity Date or (y) 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 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 12 as soon as possible after their determination but in no event

later than the fourth Lisbon 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 12. For the purposes of this sub-paragraph (viii), the expression "**Lisbon 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 Lisbon.

(ix) *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 4(c) by the Agent, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Agent and all Noteholders and (in the absence as aforesaid) no liability to the Issuer or the Noteholders shall attach to the Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(d) *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 until whichever is the earlier of: (i) the date on which all amounts due in respect of such Note have been paid; and (ii) five days after the date on which the full amount of the moneys payable in respect of such Note has been received by the Agent and notice to that effect has been given to the Noteholders in accordance with Condition 12.

**5. 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 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.

Payments will be subject in all cases, but without prejudice to the provisions of Condition 7, 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 7) 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.

(b) *Payments in respect of Notes*

Payments in respect of the 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 8):

- (i) is or falls before the due date for payment of principal and or interest; and
- (ii) is a TARGET2 Settlement Day.

(c) *Payment Day*

If the date for payment of any amount in respect of any Note 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 8) 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 each Additional Financial Centre (other than the TARGET2 System) specified in the applicable Final Terms; and
- (ii) if TARGET2 System is specified as an Additional Financial Centre in the applicable Final Terms, a day on which the TARGET2 System is open; and
- (iii) either (A) 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 (B) in relation to any sum payable in Euro, a day on which the TARGET2 System is open.

(d) *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 7(a);
- (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 6(g)); and
- (vi) any premium and any other amounts (other than interest) which may be payable by the Issuer 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 7(a).

## 6. **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 6(g), the Notes may be redeemed at the option of the Issuer 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, in accordance with Condition 12, the Noteholders (which notice shall be irrevocable), if:

- (i) 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 7(a) as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in Condition 7(a)) 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 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 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 Agent to make available at its specified office (i) 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 have occurred, and (ii) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment.

Notes redeemed pursuant to this Condition 6(b) will be redeemed at their Early Redemption Amount referred to in Condition 6(g) below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

In relation to any Series of Subordinated Notes, the Notes may be redeemed at the option of the Issuer in whole, but not in part, at their Early 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 12 (which notice shall be irrevocable) if, at any time after the Issue Date of the first Tranche of the Notes, 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 first Tranche of the Notes.

Prior to the publication of any such notice of redemption as referred to in the previous paragraph in respect of Notes, the Issuer shall deliver to the Agent to make available at its specified office to the Noteholders 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 6(k) below) have occurred.

(c) *Redemption upon the occurrence of a Capital Event*

In relation to any Series of Subordinated Notes, the Notes may be redeemed at the option of the Issuer, in whole but not in part, at their Early 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 12 (which notice shall be irrevocable), if, at any time after the Issue Date of the first Tranche of the Notes, the Issuer determines that there is a Capital Event.

Prior to the publication of any notice of redemption pursuant to this Condition 6(c) in respect of Notes, the Issuer shall deliver to the Agent to make available at its specified office to the Noteholders 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 6(k) below) have occurred.

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 Issuer, 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 Issuer after consultation with the Relevant Authority that all or any part of the Notes are not eligible for inclusion in the Tier 2 capital of the Group or the Issuer 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 Issuer, as the case may be). For the avoidance of doubt, any amortisation of the Notes pursuant to Article 64 of the Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms amending Regulation (EU) No. 648/2012, (or any equivalent or successor provision) shall not constitute a Capital Event;

**"Group"** means together the Issuer 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 Issuer.

(d) *Redemption at the Option of the Issuer (Issuer Call)*

This Condition 6(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 6(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 12 (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 case of a partial redemption of Notes the nominal amount of all outstanding Book Entry Notes will be reduced proportionally.

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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 and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent.

(f) *Redemption at the Option of the Noteholders (Investor Put)*

This Condition 6(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 6(f) for full information on any Investor Put. 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 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 12 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 a notice to the Agent in accordance with the standard procedures of Interbolsa stating the principal amount of the Notes in respect of which such option is exercised (a "**Put Notice**") to the specified office of the Agent at any time within the notice period during normal business hours of the Agent. In the Put Notice the relevant Noteholder must specify a bank account to which payment is to be made under this Condition 6.

Any Put Notice given by a holder of any Note pursuant to this Condition 6(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 Condition 6(f) and instead to declare such Note forthwith due and repayable pursuant to Condition 9.

(g) *Early Redemption Amounts*

For the purpose of Conditions 6(b) and 6(c) above and Condition 9, 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

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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 and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent.

"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 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 or any other Subsidiary of the Issuer may purchase Notes at any price in the open market or otherwise. Such Notes may be held, reissued, resold or, at the option of the Issuer, or the relevant Subsidiary, surrendered to the Agent for cancellation.

For the purpose of these Terms and Conditions, "**Subsidiary**" means any company which is for the time being a subsidiary (within the meaning of Section 736 of the Companies Act 1985) of the Issuer.

(i) *Cancellation*

All Notes which are redeemed will forthwith be cancelled in accordance with the applicable regulations of Interbolsa. All Notes so cancelled 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 Conditions 6(a), 6(b), 6(c), 6(d), or 6(f) above or upon its becoming due and repayable as provided in Condition 9 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 Condition 6(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 and notice to that effect has been given to the Noteholder either in accordance with Condition 12 or individually.

(k) *Further Provisions Applicable to Redemption and Purchases of Subordinated Notes*

Notwithstanding the foregoing, the Issuer 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 Issuer 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 6(b) or Condition 6(c), the Issuer 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 6(c) were not reasonably

foreseeable as at the Issue Date of the most recent Tranche of the Notes and that the change in the applicable regulatory classification is sufficiently certain or, (B) in the case of Condition 6(b), that the change in the applicable tax treatment is material and was not reasonably foreseeable as at the Issue Date of the most recent Tranche of the Notes; and

- (iv) Notes may be purchased or redeemed by the Issuer prior to the fifth anniversary of the Issue Date only if then permitted by Applicable Banking Regulations and authorised by the Relevant Authority.

## **7. Taxation**

- (a) All payments of principal and interest in respect of the Notes by the Issuer 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 will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes 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 in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Note:

- (i) presented for payment by or on behalf of, a Noteholder who is liable for such taxes or duties in respect of such Note by reason of his having some connection with a Tax Jurisdiction other than the mere holding of such Note; and/or
- (ii) presented for payment by or on behalf of a Noteholder 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 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 No. 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 (A) in respect of 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 Agent directly from the relevant Noteholder 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 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 5(c)); and/or
- (vii) 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
- (viii) 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 Portugal or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer becomes subject in respect of payments made by it of principal and interest on the Notes; 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 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 12.
- (b) This Condition 7(b) shall only apply to Subordinated Notes. Notwithstanding Condition 7(a), any obligation to pay additional amounts provided for therein will be limited to payments of interest in respect of Subordinated Notes.

## 8. Prescription

The Notes 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 7(a)) therefor.

## 9. 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 fails to perform or observe any of its other obligations in respect of the Notes or under the Instrument and except where 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 after notice has been given to the Issuer by a Noteholder requiring the same to be remedied; or
- (iii) the repayment of any indebtedness owing by the Issuer is accelerated by reason of default and such acceleration has not been rescinded or annulled, or the Issuer 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 Issuer'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 (other than for the purpose of an amalgamation, merger or reconstruction previously approved by an Extraordinary Resolution of the Noteholders); or
- (v) the Issuer 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 by an Extraordinary Resolution of the Noteholders); or

- (vi) the Issuer 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 in relation to the whole or a substantial part of its assets or a temporary manager of the Issuer 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 a distress or execution or other process shall be levied or enforced upon or sued out against the whole or a substantial part of its assets and in any of the foregoing cases it or he shall not be discharged within 60 days; or
- (viii) the Issuer 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 Issuer and its Subsidiaries as a whole, other than selling, transferring, lending or otherwise disposing on an arm's length basis

then, any Noteholder may give notice to the Issuer and to the Agent at their respective specified offices, effective upon the date of receipt thereof by the Agent, that the Notes held by such Noteholder(s) are, and they shall accordingly thereby forthwith become, immediately due and repayable at their Early Redemption Amount (as described in Condition 6(g) together with accrued interest (as provided in the Instrument)).

As used above, "**Issuer's Shareholders' Funds**" means, at any relevant time, a sum equal to the aggregate of the Issuer's shareholders' equity as certified by the Directors of the Issuer.

(b) *Events of Default relating to Subordinated Notes*

This Condition 9(b) applies only to Subordinated Notes and in this Condition 9(b) references to "Notes" shall be construed accordingly. If the Notes are specified as Subordinated Notes in the applicable Final Terms, any one or more of the following events shall constitute an "**Event of Default**".

- (A) If 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 any Noteholder may institute proceedings for the winding-up of the Issuer, but may take no other action in respect of such default.
- (B) If 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 by an Extraordinary Resolution of the Noteholders), then any Noteholder may give notice to the Issuer and to the Agent at their respective specified offices, effective upon the date of receipt thereof by the Agent that the Notes held by such Noteholder(s) are, and they shall accordingly thereby forthwith become, immediately due and repayable at their Early Redemption Amount (as described in Condition 6(g)) together with accrued interest (as provided in the Instrument).

## 10. **Form and transfer of Notes generally**

Notes held through accounts of Affiliate Members of Interbolsa will be represented in dematerialised book entry form ("*forma escritural*") and will be "*nominativas*" (i.e. 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). Notes shall not be issued in physical form. 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 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 Notes and their beneficial interests will be made through Interbolsa.

## **11. Agent**

The name of the initial Agent and its initial specified office is set out below. If any additional agents are appointed in connection with any Series, the names of such agents will be specified in the applicable Final Terms.

The Issuer is entitled to vary or terminate the appointment of any agent and/or appoint additional or other agents and/or approve any change in the specified office through which any agent acts, provided that there will at all times be an Agent.

Banco Comercial Português, S.A. will be the Agent.

In acting under the Agency Terms, the Agent acts solely as agent of the Issuer, and does not assume any obligation or relationship of agency or trust to or with the Noteholders, except that (without affecting the obligations of the Issuer to the Noteholders 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 until the expiry of the period of prescription specified in Condition 8. The Agency Terms contains provisions for the indemnification of the Agent and for its relief from responsibility in certain circumstances and entitles it to enter into business transactions with the Issuer and any of its Subsidiaries without being liable to account to the Noteholders for any resulting profit.

## **12. 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 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 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, including publication on the website of the relevant stock exchange or relevant authority if required by those rules. Any such notice will be deemed to have been given on the date of the first publication in all the relevant newspapers.

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.

The Issuer shall also comply with the requirements of Interbolsa and of Portuguese law generally in respect of notices relating to Notes.

## **13. Meetings of Noteholders, Modification and Waiver**

The Instrument contains 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. A meeting convened pursuant to the provisions of the Instrument, may be convened by the Issuer and should 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. The quorum at any 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 (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 certain provisions of 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 by the Noteholders will be binding on all the Noteholders, whether or not they are present at any meeting.

The Agent and the Issuer may, without the consent of the Noteholders (and by acquiring the Notes, the Noteholders agree that the Agent and the Issuer may, without the consent of the Noteholders) make any modification to the provisions of these Terms and Conditions or the Instrument which: (i) is not prejudicial to the interests of the Noteholders; (ii) is of a formal, minor or technical nature; (iii) is made to correct a manifest or proven error; or (iv) is to comply with mandatory provisions of any applicable law or regulation. Any such modification so made shall be binding on all Noteholders and shall be notified to the Noteholders in accordance with Condition 12 as soon as practicable after it has been agreed.

#### 14. Further Issues

The Issuer shall be at liberty from time to time without the consent of the Noteholders 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.

#### 15. Statutory Loss Absorption Powers

Notwithstanding any other term of the Notes or any other agreement, arrangement or understanding between the Issuer and the Noteholders, by its subscription and/or purchase and holding of the Notes, each Noteholder (which for the purposes of this Condition 15 includes each holder of a beneficial interest in the Notes) acknowledges, accepts, consents and agrees:

- (i) to be bound by the effect of the exercise of the Bail-in Power by the Relevant Resolution Authority, which may include and result in any of the following, or some combination thereof:
  - (A) the reduction of all, or a portion, of the Amounts Due on a permanent basis;
  - (B) the conversion of all, or a portion, of the Amounts Due into shares, other securities or other obligations of the Issuer or another person (and the issue to the holder of such shares, securities or obligations), including by means of an amendment, modification or variation of the terms of the Notes, in which case the Noteholder agrees to accept in lieu of its rights under the Notes any such shares, other securities or other obligations of the Issuer or another person;
  - (C) the cancellation of the Notes or Amounts Due; or
  - (D) the amendment or alteration of the maturity of the Notes or amendment of the Interest Amount payable on the Notes, or the date on which the interest becomes payable, including by suspending payment for a temporary period; and
- (ii) that the terms of the Notes are subject to, and may be varied, if necessary, to give effect to, the exercise of the Bail-in Power by the Relevant Resolution Authority.

In these Terms and Conditions:

**“Amounts Due”** means the principal amount, together with any accrued but unpaid interest, and any additional amounts referred to in Condition 7(a), if any, due on the Notes. References to such amounts will include amounts that have become due and payable, but which have not been paid, prior to the exercise of the Bail-in Power by the Relevant Resolution Authority.

**“Bail-in Power”** means any power existing from time to time under, and exercised in compliance with, any laws, regulations, rules or requirements in effect in Portugal, relating to (i) the transposition of the BRRD, (ii) Regulation (EU) No. 806/2014 of the European Parliament and of the Council of 15 July 2014, establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain

investment firms in the framework of the Single Resolution Mechanism and the Single Resolution Fund and amending Regulation (EU) No. 1093/2010 (as amended or superseded from time to time) and (iii) the instruments, rules and standards created thereunder, pursuant to which any obligation of certain entities as set out in such law, regulation, rules or requirements can be reduced, cancelled, suspended, modified, or converted into shares, other securities, or other obligations.

**“BRRD”** means Directive 2014/59/EU of 15 May establishing the framework for the recovery and resolution of credit institutions and investment firms or such other directive as may come into effect in place thereof, as implemented in Portugal, as amended or replaced from time to time and including any other relevant implementing regulatory provisions.

**“Relevant Resolution Authority”** means any authority lawfully entitled to exercise or participate in the exercise of any Bail-in Power from time to time.

**16. 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.

**17. Governing law and submission to jurisdiction**

- (a) The Agency Terms, the Notes (except Condition 2(b)) and any non-contractual obligations arising out of or in connection with the Agency Terms and the Notes are governed by and shall be construed in accordance with, English law save that 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. Condition 2(b) is 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 Portuguese law.
- (b) The Issuer has in the Instrument irrevocably agreed, for the exclusive benefit of the Noteholders that the courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Instrument and/or the Notes (including a dispute relating to any non-contractual obligations arising out of or in connection with the Instrument and/or the Notes) and that accordingly any suit, action or proceedings (together referred to as "**Proceedings**") arising out of or in connection with the Instrument and/or the Notes (including a dispute relating to any non-contractual obligations arising out of or in connection with the Instrument and/or the Notes ) may be brought in such courts.
- (c) The Issuer has in the Instrument 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 17 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) The Issuer has in the Instrument 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 another other person for that purpose.

### **USE OF PROCEEDS**

The net proceeds from each issue of Notes will be applied by the Issuer for the general corporate purposes, which include making a profit, of the Banco Comercial Português Group or as otherwise stated in the applicable Final Terms.

## 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 based in 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 (on 22 April 2016, BMA merged with BPA and has a result the Group deconsolidated the Angola operation which is now consolidated under the equity method) and Mozambique. In addition, the Bank has a presence in Switzerland, the Cayman Islands and Macao.

In accordance with IFRS as endorsed by the European Union, the Group had, at 30 June 2017, total assets in the amount of EUR 73,024 million and total customer funds (including customer deposits, debt securities, asset management and capitalisation insurance) in the sum of EUR 66,070 million. Loans to customers (gross) amounted to EUR 51,684 million. According to the interpretation of the CRD IV/CRR, the CET 1 phased-in ratio pro forma reached 13.0% and the CET 1 fully-implemented ratio pro forma reached 11.3%, as at 30 June 2017. Based on the latest available data from the Bank of Portugal, the Group accounted for 17.8% of loans to customers (gross) and 17.3% of deposits in the Portuguese banking sector on 30 June 2017.

In addition, on 31 August 2017, the Bank was the fifth largest company listed on Euronext Lisbon in terms of market capitalisation (EUR 3,378 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.

The Bank operates notably under the Portuguese Companies Code and the Banking Law.

#### 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 PensõesGere - 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 the Polish financial group Big Bank Gdąski ("**BBG**") and afterwards with a 65.5% shareholding in 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 BPA 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, 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 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 at 31 December 2012, the Core Tier 1 ratio as at 31 December 2012 was 11.4%, according to the 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 at 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% and adjusted for the sovereign debt buffer of zero as at 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 Portuguese 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 EC, 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, of 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 EC 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 minimum of 10% and a cost-to-income ratio 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 was no commitment to sell unless the outstanding amount of GSIs by December 2016 exceeded EUR 700 million (which was not the case).

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 the 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 27 May 2014, BCP announced that it repaid, on that date, EUR 400 million GSIs after having received the authorisation from the Bank of Portugal, based on the regulator's analysis of the evolution of BCP's capital ratios.

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 "**2014 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 2014 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 2014 Rights Offering.

The transaction represented an important step in order to allow the total reimbursement of EUR 2,250 million of GSIs 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 the 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 intragroup funding currently provided by BCP to BMR, amounting to approximately EUR 150 million.

On 7 August 2014, the Bank announced that it intended to repay EUR 1,850 million of GSIs, after having received the authorisation from the Bank of Portugal, based on the regulator's analysis of the evolution of BCP's capital ratios and as announced during the capital increase process.

With such repayment, the Bank is ahead of the originally defined calendar for repayment of GSIs, allowing savings of more than EUR 300 million for net income.

On 7 October 2014, the Bank announced that it had signed on that date an agreement with Corretaje e Informação Monetária y de Divisas, S.A. ("**CIMD Group**") for the sale of the entire share capital of Millennium bcp Asset Management – Sociedade Gestora de Fundos de Investimento, S.A. ("**MGA**"). The agreed price for the sale of the share capital of MGA was EUR 15.75 million.

This transaction marked another step by the Bank, ahead of the deadline, to comply with the agreement signed by the DG Comp and the Portuguese Authorities concerning the Bank's restructuring plan, in line with its strategic plan.

The Bank will continue to distribute the investment funds managed by MGA. BCP is the custodian for these funds.

On 8 January 2015, the Bank announced that it had completed, on that date, the sale of BMR to OTP Bank. In accordance with the general conditions announced, the Bank received from OTP Bank, on that date, EUR 39 million as consideration for the sale. OTP Bank also ensured full reimbursement to the Bank of the intragroup funding provided by the latter to BMR, amounting to approximately EUR 150 million.

The sale of BMR brought forward yet another important measure on which BCP had committed with the DG Comp pursuant to its restructuring plan.

On 24 February 2015, the Bank announced that it was evaluating several scenarios to enhance the value of ActivoBank and that such process was in its initial phase. In accordance with the announcement made by the Bank on the referred date, it was not possible, at that stage, to affirm if the process would result in any transaction.

Following the announcement, on 25 March 2015, of the launch of an accelerated placement to institutional investors of 186,979,631 ordinary shares of Bank Millennium constituting 15.41% of the Bank Millennium's existing share capital, the Bank announced, on 26 March 2015, the pricing of such accelerated placement, at a price of PLN6.65 per ordinary share. After the completion of the placement, BCP continues to hold a majority shareholding in Bank Millennium, corresponding to 50.1% of the Company's share capital.

On 17 April 2015, the Bank announced a public exchange offer (the "**Offer**"), submitted to the resolution of the Bank's General Meeting of Shareholders. The Offer prevents future hits to capital, as eligibility for capital purposes of the securities being targeted by the Offer will cease over the coming years reflecting the CRD IV/CRR.

On 18 May 2015, the Bank announced the completion of the sale of MGA to CIMD Group. In accordance with the terms previously announced, the CIMD Group acquired the whole share capital of MGA.

On 11 June 2015, the Bank announced the results of the share capital increase with a partial and voluntary public tender offer for the acquisition of securities, highlighting notably the following: (i) securities in a global nominal amount of EUR 481,208,950 were contributed in this share capital increase, representing around 75.71% of the total amount available for exchange; (ii) as a consequence of the subscriptions made, 4,844,313,860 ordinary, nominative and book-entry shares with no par value were issued, at the issue price of EUR 0.0834 per share, which corresponds a total amount of the share capital increase of EUR 387,545,108.8; and (iii) with the conclusion of the Offer, the Bank reached pro forma CET 1 ratio in March 2015, after the share capital increase, of 12.7% on a phased-in basis<sup>3</sup>.

Following the announcement made by the Bank on 8 October 2015, the Bank informed on 25 April 2016 that the public deed for the merger of Banco Millennium Angola, S.A. with Banco Privado Atlântico, S.A. had been executed.

On 30 July 2016, the Bank informed that it had received a letter from Fosun, containing a firm proposal for an investment in the share capital of BCP on the terms and conditions set forth in a Proposal Guidelines of Agreement. It also informed that Fosun proposed to subscribe to a private placement reserved solely to Fosun, to be resolved by BCP's board pursuant to the approval granted by BCP's shareholders in the general assembly held on 21 April 2016, through which, at current levels, Fosun would hold a shareholding of around 16.7% of the total share capital of BCP (the "Reserved Capital Increase"). Fosun also considered increasing its stake through secondary market acquisitions or, in the context of future capital increases of BCP, with an aim of potentially increasing Fosun's shareholding to 20%-30% of BCP.

Pursuant to the proposal by Fosun, the execution of the Reserved Capital Increase was made subject to the satisfaction or waiver of a number of conditions precedent, including: (i) approval of the acquisition of a qualified

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<sup>3</sup> Calculated on the basis of Regulation No. 3/95 of the Bank of Portugal and Law No. 61/2014, of 26 August 2014, relating to deferred tax assets and the net results of the first quarter of 2015.

holding by Fosun by the banking supervision authorities and completion of meetings and/or discussions with the EC; (ii) clarification by the relevant authorities as to no need for a special contribution to and no immediate accounting recognition of potential future contributions to the Resolution Fund; (iii) implementation and registration of the reverse share split process as approved by BCP's shareholders in the general assembly held on 21 April 2016; (iv) the subscription price for the Reserved Capital Increase not exceeding EUR 0.02 (adjusted for the reverse share split); (v) approval by the Board of Directors of a proposal to be submitted to the General Meeting of Shareholders in order to increase the limit on voting rights prescribed by Article 26 of the Bank's Articles of Association to 30%; (vi) approval by the Board of Directors of the co-optation of two new members appointed by Fosun to the Board of Directors; and (vii) the absence of any material adverse change situations affecting BCP or the Reserved Capital Increase.

On 27 September 2016, the Board of Directors of BCP acknowledged the substantial progress in the negotiations with Fosun, including on the fulfilment of several of the abovementioned conditions precedent, and resolved to mandate the Executive Committee to proceed with, and to complete with exclusivity, the negotiations with Fosun.

On 24 October 2016, BCP concluded a reverse share split or regrouping of the Bank's share capital of 1:75, with every 75 shares being regrouped into one share. Immediately prior to the share split BCP had 59,039,023,275 shares and BCP's share price in the Euronext Lisbon regulated market was EUR 0.0179; immediately after the reverse share split BCP had 787,186,977 shares and BCP's share price in the Euronext Lisbon regulated market was EUR 1.35. The historical share information presented in "Market Data" has been adjusted for the reverse share split as if the split had occurred on 1 January 2013. The historical share information presented elsewhere in this Prospectus has not been adjusted and treats the reverse share split as occurring on 24 October 2016, the day on which it occurred.

On 20 November 2016, BCP announced the approval by its Board of Directors of the result of negotiations with Fosun as well as the increase of BCP's share capital, through a private placement, as follows:

A. Memorandum of Understanding and Subscription Agreement with Fosun

On 18 November 2016, BCP and Fosun entered into a Memorandum of Understanding setting out the terms of Fosun's investment in the share capital of BCP ("**MoU**"), pursuant to which Chiado, affiliate of Fosun, agreed to invest in BCP through a private placement of 157,437,395 new shares (the "**Reserved Capital Increase**").

Observing the corporate governance procedures applicable to BCP, and for the current mandate ending in 2017, the MoU provides for the co-optation of: (i) two board members, whose appointment as additional members of the Executive Committee will also be proposed, with one of them to be appointed to the role of an additional Vice-President of the Executive Committee; and (ii) subject to Chiado holding at least 23% of the share capital of BCP, three non-executive directors, with one of them to be appointed to the role of Vice-Chairman of the Board of Directors and one proposed as a member of Committee for Nominations and Remunerations.

In light of the synergies and business development opportunities, the MoU foresees subsequent discussions for, on an arms' length basis, and without a commitment on the results, establishing long-term insurance distribution agreements outside of Portugal.

To effect the above, Fosun and Chiado also agreed to a lock-up in respect of the sale of shares subscribed by it under the Reserved Capital Increase for a period of three years from the date of subscription.

Fosun has reaffirmed in the MoU its strong interest to subsequently raise its shareholding in BCP to around 30% of its share capital through primary or secondary market transactions, once the increase of the voting cap to 30% of the share capital is approved.

B. Reserved Capital Increase

In accordance with the resolution of the General Meeting of Shareholders of 21 April 2016 to suppress the pre-emptive right of the shareholders, the Board of Directors of BCP has approved a resolution for the increase of BCP's share capital, from € 4,094,235,361.88 to € 4,268,817,689.20, by way of a private placement of 157,437,395 new shares offered for subscription by Chiado at a subscription price of €1.1089 per new share.

The above-mentioned share capital increase by way of private placement has already been subscribed for by Chiado, and its registry has been requested to the competent Commercial Registry Office on 18 November 2016.

The new ordinary shares entitle their holders to the same rights as those of previously existing shares.

On 9 January 2017 the Bank announced, in the applicable legal terms and with the applicable legal effects and pursuant to the authorisation set out in Article 5 of BCP's by-laws, as renewed at the General Meeting of Shareholders of 21 April 2016, that the Board of Directors of BCP resolved, with the favourable prior opinion of the Audit Committee, to increase the share capital of BCP, from €4,268,817,689.20 to €5,600,738,053.72, through an offering to existing holders of BCP's ordinary shares pursuant to their respective pre-emption rights, and other investors who acquire subscription rights, to subscribe for 14,169,365,580 new ordinary, book entry and registered shares, without nominal value.

The subscription price was set at €0.0940 per share. The subscription price represented a discount of approximately 38.6% to the theoretical ex-rights price based on the closing price of BCP shares on Euronext Lisbon on 9 January 2016.

Each holder of BCP's ordinary shares would receive one subscription right for each ordinary share it owned.

Further to the subscription by Chiado of the Reserved Capital Increase completed on 18 November 2016 through which Chiado came to hold a shareholding of approximately 16.67% of the total share capital of BCP, Chiado presented an irrevocable anticipated subscription order of an amount of shares in the Rights Offering that, if satisfied in full, would increase its holding in BCP's share capital to 30% after the Rights Offering, to be achieved through the exercise of the subscription rights corresponding to the number of shares presently held by it and, in addition, an oversubscription order and/or the potential exercise of further subscription rights that may be acquired by Chiado.

Under the terms of the subscription order, Chiado has committed to (i) a lock-up period related to the sale of shares subscribed by it through its proportional subscription rights corresponding to the number of shares acquired as part of the Reserved Capital Increase, for a period of three years starting from 18 November 2016 and (ii) taking all reasonably appropriate actions to avoid the sale or transfer, within 30 days of closing of the Rights Offering, of any of the shares obtained by Chiado in the Rights Offering. For the avoidance of doubt, this limitation does not prohibit Chiado from pledging the shares subscribed by it.

BCP was informed that, in the context of the change to the voting cap provided in the articles of association of BCP to 30%, Sonangol requested and obtained authorisation from the ECB to increase its stake in the share capital of BCP to up to circa 30%. The Bank further announced that it had no information regarding Sonangol's decision with reference to the Rights Offering, notably as to the exercise, sale and/or purchase of subscription rights.

BCP announced that it intended to use the proceeds from the capital increase to repay the GSIs in full shortly after completion of the Rights Offering (at such date outstanding in the amount of €700,000,000, following the repayment of €50,000,000 on 30 December 2016) and to strengthen BCP's balance sheet. For this purpose, the Bank has received the ECB's and the Bank of Portugal's authorisation to fully repay the remaining GSIs, subject to the successful completion of the Rights Offering.

On 3 February 2017, the Bank announced that the above mentioned share capital increase had been fully subscribed, resulting in the issuance of 14,169,365,580 ordinary, registered and book-entry shares, without nominal value, with the issuance price and subscription price of €0.094 per share. 13,943,683,125 ordinary shares were subscribed to pursuant to the exercise of subscription rights, representing about 98.4% of the total number of ordinary shares to be issued pursuant to the Rights Offering. The remaining 225,682,455 ordinary shares were available to satisfy oversubscription orders. Oversubscription orders totaled 3,463,624,516 ordinary shares, which exceeded about 14.3 times the amount available. The total demand registered in this capital increase accounted for approximately 122.9% of the amount of the Rights Offering.

Following the completion of the share capital increase, on 7 February 2017, the Bank announced that it had received a notice from Chiado (Luxembourg) S.à.r.l. informing about the increase of their qualified holdings to 23.92%. On

11 September 2017, the Bank received a notice from Chiado (Luxembourg) S.à.r.l., communicating that, following transactions dated 8 September 2017, the latter had become the holder of a 25.16% stake in the Bank's share capital.

On 9 February 2017, BCP repaid the outstanding GSIs, in the amount of EUR 700 million.

## **1. 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, Mozambique and Angola (through its associated company Banco Millennium Atlântico). 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 presented a new Strategic Plan, comprising three phases, to be implemented by 2017 (Strategic Plan).

The Strategic Plan was updated in September 2013, following the approval of BCP's Restructuring Plan by the EC, and in June 2014, in the context of the capital increase operation, the targets of the Strategic Plan were further updated. The three stages of the Strategic Plan are the following:

Stage 1 (2012 to 2013): Define the foundations for sustainable future development

- During the first phase of the Strategic Plan, the key priority consisted in reinforcing the balance sheet by reducing the dependence of funding on the wholesale market and increasing regulatory capital ratios.

Stage 2 (2014 to 2015): Creating conditions for growth and profitability

- During the second phase of the Strategic Plan, the focus is on the recovery of profitability of the Bank's domestic operations, combined with the continued development of the international subsidiaries in Poland, Mozambique and Angola. The improvement in domestic profitability is expected to be mainly driven by: (i) the increase in net interest income by reducing the cost of deposits and changing the credit mix, with a focus on products with better margins; (ii) the continued focus on the optimisation of operating costs by reducing the number of employees and eliminating administrative overlapping, and (iii) the adoption of rigorous credit risk limits thus reducing the need for provisions.

### Stage 3 (2016 to 2017): Sustained growth

- During the third phase, management will be focused on achieving a sustained growth of net income, benefiting from the successful implementation of the first two phases of the Strategic Plan, a better balance between the contributions of the domestic and international operations towards profitability and the conclusion of the winding down/divestment process of the Bank's non-core portfolio.

The main actions required to ensure a successful completion of the Strategic Plan are:

- Improving the balance sheet: the Bank intends to improve its capital ratios by cutting down RWAs through deleveraging, disposal or liquidation of non-core operations. The internal generation of share capital in the final stages of the Strategic Plan should also contribute to the accrual of capital. In addition, the disposal or liquidation of non-core operations and the incorporation of off balance sheet customer funds into balance sheet customer funds should improve the Bank's liquidity position by cutting down the commercial gap and the dependence from wholesale market funds. This improvement of the commercial gap and the increase in funding from public and private debt markets led to a decrease in the use of ECB funding. For the duration of the Strategic Plan, the Bank's management aims to continue to cut back on the ECB exposure by using a combination of initial deleveraging while keeping up the increase in deposits and the controlled expansion of credit.
- Better profitability of domestic operations: the Bank is carrying out the optimisation of its product mix and will continue to adjust the price of credit to better translate each customer's risk profile, which is intended to have a positive impact on the net interest income and on the cost of risk of the Portuguese operation.
- Consolidation of the Bank's leadership position in the private sector retail market and the SME/companies banking market: the Bank adopted a new business model based on a new customer base segmentation, the review made to the products and services that it offers and on the adjustments to its back office units and branch network. This business model is being put into place with a view to expanding the Bank's territorial coverage, increasing the customer base and sales capacity, and simultaneously decreasing operating costs. For retail clients, the strategy is to re-balance the portfolio mix of less profitable mortgage loans with more profitable loans. In terms of SME/companies, the focus will be on exporting companies. The Bank intends to ensure that profits are sustainable in the medium to long-term, searching to become the best in class in terms of operational efficiency, on account of both income generation and cost management, simultaneously keeping a high control of credit risk and, this way, preserving its strategic position in the Portuguese banking market for retail and SMEs.
- International position: the Bank's international franchise is focused on the growing markets of Poland and Mozambique. In Poland, the Bank intends to continue to pursue customer acquisition, based on the existing branch network, on its range of products and services and on the strength of the Bank's brand. Additionally, the Bank intends to continue to leverage its main franchise in the country by developing the branch network and offering new and innovative products and services to its customers.
- Risk Management: the Bank intends set up a new management control system for credits with highest probability of default, in addition to past due loans. The creation of a legacy portfolio, plus the Bank's stronger credit recovery abilities should decrease, in general, the level of non-compliance, while simultaneously keeping the focus on the subscription of new loans with a risk profile that meets the Bank's Strategic Plan.
- Plan for the Reduction of NPE: several measures were put into place in the last few years with a positive impact on NPE, namely the reinforcement of credit quality control by using and developing new valuation models, improving the governance model for risk management, covering NPE by making provisions, the expected loss gap and the increase in collaterals to 100%, as of 30 June 2017, according to BCP's goal of reducing NPE to under EUR 7.5 billion (EUR 7.8 billion recorded on 30 June 2017) by December 2017. The main measures of this plan include: speeding up write-offs; sale of

credits, especially loans to companies with strong collaterals and loans to individuals unlikely to be recovered; avoid mortgage loans getting to judicial resolution and decreasing the time cases take to recover in the hands of law firms.

For the 2016-2018 triennial, the Bank put in place a set of strategic priorities for the operation in Portugal aiming to build a sustainable bank adapted to the new needs of the market and of its customers. In 2017, the Bank sped up the implementation of strategic initiatives, betting on innovation and customer experience.

The strategic agenda consists of six work fronts devoted to sales and three work fronts devoted to the organisation as a whole. Over 100 employees in total are involved in the execution of the various initiatives identified.

In relation to BCP's business model, 6 work fronts were adopted:

1. Redefining the retail distribution network, exploiting the potential of new technologies, namely in the digital area (Internet Banking and Mobile Banking, among others).
2. Relaunching the affluent individuals segment, by adjusting the service model and taking up a position of leadership.
3. Consolidating the position of leadership in providing support to micro and small enterprises.
4. Adjust the business model of the growth-oriented corporate segment, in order to be the reference Bank in providing support to the Portuguese economy.
5. Transform the credit recovery business through an integrated strategy of reduction of the non-core business portfolio, which may include the sale of assets and the optimisation of the recovery operating model.
6. Build on the operating model of the Bank, by simplifying and automating processes, with a view to optimising the levels of service provided to the customer.

In order to transform the Bank into a healthier organisation with greater involvement with the shareholders, there are three organisation-wide work fronts underway:

1. Definition of the level of risk to be adopted in each business area with the implementation of the Risk Appetite Framework.
2. Promotion of a business sharing culture between business areas and geographies.
3. Launch of a cultural transformation programme of the organisation with a focus on the development of human resources, the improvement of its satisfaction and the consolidation of a set of values that guide the action of the Bank.

The new initiatives undertaken within the scope of the 2016-2018 Strategic Plan can already be seen. Over 40% of Mass Market Branches and 60% of Prestige Branches had been refurbished by 30 June 2016. 35 branches have a new layout providing a digital experience to customers and including the new Millennium Transactions Machines (MTM) that enable cashier transactions 24 hours a day. In addition, the digital platforms have been improved and new tools were added, including online loan requests in the Millennium App, opening accounts online and a new app for company clients, helping them manage projects funded by EU grants. On the last Data E survey, Millennium bcp was considered the main Bank for companies with funding from Portugal 2020.

### ***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 of Shareholders 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 Commissions and Sub-Commissions directly appointed by the Executive Commission 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 4 April 2017, there were 19 Commissions and four Sub-Commissions aimed at facilitating the coordination 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 Commission, as follows:

- (a) **Commission for Legal Affairs:** This Commission is composed of six permanent members. In addition to two Directors with specific areas of responsibility, Miguel Maya and José Jacinto Iglésias Soares, this Commission is composed of the Heads of the Tax Advisory Department, Legal Affairs and Litigation Department and Logistics & Procurement Department, and the Company Secretary (which acts as secretary).

This Commission 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 coordination 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.

- (b) **Commission for Costs and Investments:** This Commission is composed of seven permanent members and upon invitation, Heads of other areas whenever the Commission appraises issues that involve them directly. In addition to three Directors with specific areas of responsibility, Miguel Maya, Miguel Bragança and José Jacinto Iglésias Soares, this Commission is composed of the Heads of the Logistics & Procurement Department, which acts as secretary, Management Information Department, Operations Department and Information Technology Department.

This Commission is entrusted with the regular follow-up of the operational evolution and optimisation of the negotiations and/or purchase of goods and services and authorisation of costs. One Sub-Commission operates under the Costs and Investments Commission, the Costs and Investments Sub-Commission.

The **Costs and Investments Sub-Commission** is responsible for the regular follow-up of the operational evolution and optimisation of the negotiations and/or purchase of goods and services and authorisation of costs and payments.

The Heads of the Logistics & Procurement (which acts as secretary), Information Technology, Management Information and Operations compose this Sub-Commission.

- (c) **Companies Commission:** This Commission is composed of 16 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, Nuno Amado, Miguel Maya, Miguel Bragança, José Miguel Pessanha and Conceição Lucas, this Commission is composed of the Heads of the Rating, Large Corporate, Investment Banking, Companies and Corporate Banking (North, Centre and South), Management Information, Large Corporate, Real Estate Business Department, Specialised Recovery Department, Specialised Monitoring, Companies Marketing Department (which acts as secretary) and Business Development and Operations.

This Commission ensures the assessment, preparation and planning of the following-up and development of the Bank's business in the small and medium-sized enterprise ("SME"), Corporate and Large Corporates and Investment Banking segments.

- (d) **Commission for Human Resources:** This Commission 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 José Jacinto Iglésias Soares, the Head of the Legal Affairs and Litigation Division and the Head of Human Resources Department, which acts as secretary, are also members of this Commission.

The primary mission of this Commission is the definition, decision and monitoring of the Bank's Human Resources policies to support the operational and business efficiency.

This Commission 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.

- (e) **Retail Commission:** This Commission is composed of 15 permanent members and the Heads of other areas 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, Miguel Bragança, José Miguel Pessanha and Rui Manuel Teixeira, this Commission is composed of the Heads of the Direct Banking Department, Communication Department, Management Information Department, Retail Marketing Department (which acts as secretary), Quality and Network Support Department, Retail Recovery Department, Retail Departments (North, Centre and South and Islands), Operation Department, Segment Department and Credit Department.

The main mission of this Commission is management and following-up of the Retail business (Individuals and Business) to ensure the provision of a value proposal and distribution model that allows the Bank to comply with its priorities in terms of profitability, customer's satisfaction, growth and risk. Two Sub-Commissions operate under the Retail Commission, the Customer Experience Sub-Commission and the Investment Products Sub-Commission.

- (i) The **Customer Experience Sub-Commission** is responsible for monitoring the evolution of the Quality and Claims Indicators and defining priorities and guidelines for the areas managing customer satisfaction and service quality.

Rui Manuel Teixeira and José Jacinto Iglésias Soares, members of the Executive Commission, Quality and Network Support, Segments Management Department, Retail Divisions, Retail Marketing (which acts as Secretary), Communication, Operations, Direct Banking are part of this Sub-Commission.

- (ii) The **Investment Products Sub-Commission** is responsible for approving and/or monitoring: (a) investment processes/investment policies/benchmarks/guidelines and the performance of products managed and sold by the Bank; (b) basic product range of private banking advisory services, model portfolios and products to be sold through different networks; and (c) high level scenario of market evolution for each group of assets and relevant geographic area.

Miguel Bragança and Rui Manuel Teixeira, members of the Executive Commission, Retail Marketing (which acts as Secretary), Private Banking Marketing, Private Banking, Wealth Management Unit, Treasury and Markets & International, Direct Banking and Segments Management are part of this Sub-Commission.

- (f) **Non-Core Credit Commission:** The Non-Core Credit Commission is composed of a minimum of 3 members of the Executive Commission, as well as the Heads of the Proponent Area. This Commission is composed of 11 permanent members which are: Specialised Monitoring, Proponent Area, Legal and Litigation Advisory Division, Compliance Office, Credit, Level 3 Credit Managers, Real Estate Business, Rating, Specialised Recovery, Retail Recovery, Risk Office, Commercial Areas and Investment Banking, Company Secretary's Office (Secretary), Members of the Credit Committee of the subsidiary companies operating abroad.

The main mission of this Commission is the appraisal of proposals for the granting of non-core business credit to clients as defined in the Service Order on Credit Granting, Monitoring and Recovery.

- (g) **Non-Core Business Commission:** This Commission is composed of 11 permanent members. In addition to the Directors with the specific areas of responsibility, Miguel Maya, Miguel Bragança and José Miguel Pessanha, this Commission is composed of, as permanent members, the Risk Office and the Heads of the Credit Division, the Specialised Recovery Division, the Real-Estate Business Division, the Research, Planning and ALM Division, the Management Information Division, the Specialised Monitoring Division and the Head of the Non-Core Business Monitoring Area of the Risk Office, which acts as secretary.

The main mission of this Commission is the definition of the strategies and control of the process of the sale of the assets included in the Bank's non-core business portfolio.

This Commission 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, and also the evolution of the non-core business to determine if it complies with the defined objectives and with the restructuring plan.

- (h) **Compliance Commission:** This Commission is composed of permanent members as described:

Members of the Executive Committee (EC)	Coordination Manager/Other members
<b>Compliance Commission of the Bank</b>	
<ul style="list-style-type: none"> <li>– José Iglésias Soares</li> <li>– José Miguel Pessanha</li> <li>– Director responsible for the business, corporate or banking area, responsible for the issue under appraisal by the Commission</li> </ul>	<ul style="list-style-type: none"> <li>– Group Head of Compliance (Secretary)</li> <li>– Individual in charge of the Compliance Office Area that is managing the issue under debate</li> <li>– Head of the Division in charge of the issue under debate</li> <li>– By invitation, other areas that are directly involved in the issues appraised</li> </ul>
<b>Compliance Commission of the subsidiary company/branch</b>	
<p>In the Bank:</p> <ul style="list-style-type: none"> <li>– Director responsible for the Compliance Office</li> <li>– Director responsible for the international subsidiary company /branch</li> </ul> <p>In each international subsidiary company:</p> <ul style="list-style-type: none"> <li>– Director responsible for the Compliance Office</li> </ul>	<p>In the Bank:</p> <ul style="list-style-type: none"> <li>– <i>Group Head of Compliance</i></li> <li>– Individual in charge of the Compliance Office Area that is managing the issue under debate</li> </ul> <p>In each international subsidiary company:</p> <ul style="list-style-type: none"> <li>– Head of the Local Compliance Office</li> <li>– By invitation, other areas that are directly involved in the issues appraised</li> </ul>

The main mission of this Commission is following-up the activities carried out by the Bank and/or subsidiary companies/branches of the Group in each jurisdiction, coordinating and managing, on a regular basis, the policies and duties of the Bank and/or of subsidiary companies/Branches of the Group in what concerns the obedience to all legal and compliance rulings, the alignment with the Group strategies and the definition of priorities.

One Sub-Commission operates under the Compliance Commission, the AML Sub-Commission.

The **AML Sub-Commission** is responsible for appraise and resolve on the proposals on communications addressed to judicial and/or supervision authorities on operations or entities suspicious of carrying out money laundering, terrorism financing or market abuse activities, ensuring the respective documentary and procedural recording, as well as appraise the individual AML risk classification proposals.

José Jacinto Iglésias Soares and José Miguel Pessanha, members of the Executive Commission, the Group Head of Compliance, Anti-Money Laundering Officer (acting as secretary of the Commission), Heads of the Compliance Areas, are part of this Sub-Commission, as well as, whenever necessary, Team Coordinators and Experts and, by invitation, other employees.

- (i) **Pension Fund Monitoring Commission:** The mission of this Commission is the monitoring of the pension fund's financial management. This Commission issues opinions on amendments to the pension plans, having been created under the terms of Article 53 of Decree-Law No. 12/2006, of 20 January 2006, as amended by Decree-Law No. 180/2007, of 9 May 2007.

This Commission is composed of two permanent members of the Executive Commission, José Jacinto Iglésias Soares and José Miguel Pessanha, and may also include other members of the Executive Commission, depending on the matters scheduled for discussion, the Risk Officer, the General-Manager of Ocidental – Sociedade Gestora de Fundos de Pensões, S.A. ("Ocidental SGFP") (pension fund's holding company), the Head 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. This Commission also includes three representatives of the banking industry Unions.

- (j) **Capital Assets and Liabilities Management Commission (CALCO):** The main duties of this Commission are the monitoring and management of market risks associated to assets and liabilities, the planning and making capital allocation proposal and definition of suitable policies for liquidity and market risk management for the Group as a whole. A minimum of three members of the Executive Commission are part of this Commission, as well as the Heads of the Companies and Corporate Department, Large Corporate Department, Research, Planning and Assets and Liabilities Management Department, which acts as secretary, Management Information Department, Marketing Areas, Risk Officer, Treasury and Markets & International, Investment Banking and Business Development by invitation.

- (k) **Credit Commission:** This Commission, which has the composition and competences stipulated in the Service Order on Credit Granting, Monitoring and Recovery, 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 Commission, as well as the Heads of the Proponent Area, the Head of the Specialised Monitoring, the Heads of the Credit Department, Specialised Recovery Department, Retail Recovery Department, Legal and Litigation Advisory Division, 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, members of the Credit Commission of the subsidiary companies operating abroad and the Compliance Officer.

This Commission is supported by secretarial services administered by the Company Secretary.

- (l) **Risk Commission:** The main duty of this Commission is the definition of the Group's risk management global framework and follow-up of the risk levels for the different types of risk.

This Commission is responsible for monitoring global risk levels (particularly 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.

A minimum of three members of the Executive Commission, 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, Rating Department and Treasury and Markets Department are part of this Commission.

- (m) **Pensions Funds Risk Monitoring Commission:** This Commission is responsible for monitoring the performance and risk of the Group's Pension Funds (Defined Benefit Fund and Supplementary Fund) and establishment of appropriate investment policies and hedging strategies. Nuno Amado, Chairman of the Executive Commission, Miguel Bragança, Vice-Chairman of the Executive Commission and José Miguel Pessanha, member of the Executive Commission, the Heads of the Research, Planning and Assets and Liabilities Management Department, Human Resources Department and the Risk Officer, who administers the secretarial services, are part of this Commission, as well as, by invitation, a representative of F&C Asset Management plc, the CEO of Millenniumbcp Ageas and the CEO of Ocidental SGFP.

- (n) **Credit at Risk Commission:** This Commission is responsible for following-up 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 the object of a separate assessment. This Commission also analyses the performance of the recovery processes and supervises the sale of the real estate portfolio.

Miguel Maya and Miguel Bragança, Vice-Chairmen of the Executive Commission and José Miguel Pessanha, member of the Executive Commission, as well as the Risk Office, who administers the secretarial services, the Heads of the Credit Department, Recovery Areas, Management Information Department, Real Estate Business Department, Rating Department and Legal and Litigation Advisory Division are also members of this Commission.

- (o) **Security Commission:** The main duties of this Commission are integrated management of the Group's security policies and following-up the main security risks and of the initiatives to be developed in this particular area.

This Commission is composed of 12 permanent members. In addition to three Directors with specific areas of responsibility, José Jacinto Iglésias Soares, José Miguel Pessanha, Miguel Maya or Rui Manuel Teixeira, this Commission is composed of the Compliance Office Department (which acts as secretary), Risk Office Department, Information Technology Department, Audit Department, Logistics & Procurement Department, Quality and Network Support Department, Direct Banking Department, IT Security Department and Security and Business Continuity Department and, by invitation, other areas that are directly involved in the issues appraised.

- (p) **Moving Forward Commission:** The main duties of this Commission are to monitor and ensure that the 2015-2017 Strategic Plan is executed, in Portugal, as approved by the Board of Directors, to ensure that the metrics for the Strategic Plan in Portugal are met within the deadline set forth and that the entire organisation is aware of and in line with the project.

This Commission is composed of 18 permanent members. In addition to all the members of the Executive Commission, this Commission is composed of Dulce Mota – Project Head/Commission Secretary; Pedro

Beija – Responsible for the "Redefinition of the distribution model supported by digital transformation"; Rosa Santa Bárbara – Responsible for the "Redefinition of the distribution model supported by digital transformation" and for "Relaunching the affluent segment"; Albino Andrade – Responsible for "Relaunching the affluent segment" and for "Strengthening leadership in the business segment"; Nuno Alves – Responsible for the "Adjustment of the companies model to support growth"; Américo Carola – Responsible for the "Optimisation of the credit recovery areas"; António Bandeira – Responsible for "Redesigning and Simplifying the Operating Model"; Miguel Sampayo – Responsible for the "Risk Appetite Framework"; José Pulido Valente – Responsible for the "Cross Networking Programme networks, countries and areas"; Teresa Nascimento – Responsible for the "Cultural transformation programme" and António Pinto Júnior – Project Officer for "Retail Front Office", and, by invitation, other areas that are directly involved in the issues appraised.

- (q) **Speedway Commission:** The main duty of this Commission is monitoring the management and transformation of the Bank's processes aiming to enhance their efficiency and effectiveness and to reduce their exposure to operational risks.

This Commission is composed of two permanent members of the Executive Commission, José Jacinto Iglésias Soares and Miguel Maya, and may also include other members of the Executive Commission, depending on the projects or processes under appraisal. In addition, it is composed by Operations (Secretary), IT and Technology, Moving Forward Project and all the other areas (Marketing, Networks, Channels, Central Services, Sponsors Moving Forward Project, etc) and the respective Process Owners, when appraising processes that concern them, as well as by invitation, Audit, Logistics & Procurement, Legal Affairs and Litigations, Compliance and Risk Office.

- (r) **CrossNetWorking Commission:** The main duties of this Commission are monitoring initiatives related to sharing and fulfilling business opportunities amongst the various commercial networks/divisions of the Bank and of the respective outcome, namely: presenting and analysing quarterly results of the initiatives underway; the results of the incentives given; revising and approving the incentives table to apply in the following sales period and cross network strategies; analysing and deciding on IT developments and/or other measures necessary to develop / improve cross networking, involving the EC whenever necessary.

This Commission is composed of members of the Executive Commission, as well the Director in charge of the Retail Network, the Director in charge of the Companies, Corporate, Large Corporate and Business Development Networks, the Director in charge of International, Private and Markets areas and the Director in charge of the MID (not mandatory, depending on the agenda). In addition it is composed of members of the Companies and Corporate networks Department (Coordinator and Marketing Manager, Secretary and responsible for the Commission's work), Retail Network Department (Coordinator and Marketing Manager), Large Corporate Network Department (Coordinator Manager), Private Banking Network Department (Coordinator and Marketing Manager), the Head of Banque Privée BCP (Suisse), Segments Management Division, Quality and Network Support Division, Human Resources Division, International, Treasury and Markets Division, Management Information Division (MID) and Business Development Department.

- (s) **Internal Control and Operational Risk Monitoring Commission:** The main duties of this Commission are to define the operational risk management framework ensuring its application within the Group's operations; to monitor the risk exposures and the status of the implementation and efficiency of the measures adopted to strengthen internal control.

This Commission is composed of eight permanent members. In addition to three Directors with specific areas of responsibility, José Miguel Pessanha, José Jacinto Iglésias Soares, and Miguel Maya, this Commission is composed of the Coordination Manager of Audit Division, IT Division, Operations Division, Compliance Office and Risk Office (Secretary), and also Macro-Process Owners (participation by invitation for the presentation of specific issues on the processes).

## **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.

On 24 February 2015, the Bank announced that it was evaluating several scenarios to enhance the value of ActivoBank and that such process was in its initial phase. In accordance with the announcement made by the Bank on the referred date, it was not possible, at that stage, to affirm if the process would result in any transaction.

On 23 March 2016, BCP informed that, following the process of evaluation of strategic scenarios to enhance the value of ActivoBank, it had been decided to select Cabot Square Capital LLP, a financial services specialist private equity firm with approximately €1 billion in funds under management. The Bank also informed that, at that date, no final decision had been made in relation to the sale of Activobank.

On 3 June 2016, BCP informed that it had completed the evaluation of several scenarios to enhance the value of ActivoBank, a leading online bank in Portugal. The Bank also informed having decided to keep ActivoBank in the BCP Group, given its ability to generate value, especially in the context of the expected evolution of BCP's banking business.

### **Insurance**

The Bank has an interest in insurance activities through Millenniumbcp Ageas, a joint venture with Ageas for bancassurance business in Portugal. 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 had 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 that time 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. Currently, the Group holds 49% of Millenniumbcp Ageas' share capital in the life insurance business, while the remaining 51% is held by Ageas.

On 28 July 2014, the Bank announced about the qualifying holding of Ageas and Ocidental Vida that was a result of Ageas and Ocidental Vida having subscribed, respectively, 280,490,558 and 408,855,693 ordinary shares in the rights issue launched by the Bank on 27 June 2014, pursuant to the subscription rights attributed to them considering their participation in BCP prior to the rights issue of 156,623,179 shares in case of Ageas and of 233,631,825 shares in case of Ocidental Vida. Following the settlement of the rights issue on 23 July 2014 and allotment of the

oversubscription on 24 July, the number of shares held by Ageas increased to 437,113,737 and the number of shares held by Ocidental Vida increased to 652,087,518, thus the Ageas Group increased its participation to 1,089,201,255 shares that correspond to 2.01% of the issued share capital and of voting rights of the Bank.

On 16 June 2015, the Bank announced to have received a notification from Ageas Group informing that its holding in the share capital of the Bank had fallen below the 2% threshold of qualifying holding. The dilution of the former qualifying holding was a result of the Bank's exchange offer of some of its subordinated debt and preference shares for ordinary shares, causing the issuance of 4,844,313,860 new shares, which increased the total outstanding ordinary shares in BCP to 59,039,023,275. At that date, the Ageas Group's holding was 1.84%.

## 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 50.1% of Bank Millennium.

During the first six months of 2017, Bank Millennium continued to implement its strategic plan for 2015-2017, keeping the same trajectory but introducing some adjustments as a result of tax and regulatory amendments.

The main medium term goals of Bank Millennium are centred on the protection and recovery of profitability, which suffered the negative impact of the new bank contribution, particularly in the main business segments: retail and companies. The main goals are the following: reach 1.6 million active retail clients; increase its market share in customer funds to more than 6%; keep the cost to income ratio<sup>4</sup> between 45%-47%; keep the loans to deposits ratio under 95% and comfortably comply with the relatively high capital adequacy thresholds defined by the domestic regulator.

The main initiatives for the purpose of implementing the Bank's strategic plan consisted in:

- Acceleration in the capture of retail customers since the beginning of 2017 (an increase of 65,000, which enabled the Bank to reach 1.56 million customers as at 30 June 2017); seeking to gain scale in digital (by the end of the first six months of 2017 the Bank had 1.06 million customers using the homebanking services and 615,000 mobile customers, showing a year-on-year increase of 17% and 42%, respectively); and assessing the added marginal earnings per Customer, while maintaining the focus on products with a higher margin in order to maintain the profitability of the segment;
- Keeping strict cost control and operational excellence, through a simplified digital operating model, preparing the IT platform for the future. The digital channels played a critical role in the distribution of products and services to individuals. In the first six months of the year, digital channels represented 99% of the transfers, 87% of the term deposits made, 37% of the consumer loans and 40% of the overdraft limits attributed.

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<sup>4</sup> As used in this Offering Circular, "**cost-to-income ratio**" means operating costs divided by net operating revenues



In the first half of 2017, Bank Millennium Group recorded net earnings totalling PLN 314 million (EUR 73.7 million), a 27% decrease compared to the record income in the previous year, which was favoured by the Visa transaction from which the Bank, as a member, benefited in 2016. Excluding this extraordinary effect in 2016, the income achieved during the first six months of 2017 represents a 51% increase versus the same period in 2016.

The cost-to-income ratio stood at around 46.3% and the ROE on 8.9%, translating an improvement in profitability and in operational efficiency. The Core result was the driving force of the improvement recorded in profitability by increasing 13.5% versus the same period in 2016. The net interest income and commissions increased 11.3% and 19.9%, respectively, versus the first six months of 2016. Operating costs recorded a slight increase (+1.5%), due to the rise in staff costs (+6.1%) compensated by a decrease in administrative costs (-3.1%). The cost of risk stood at 52 basis points accrued since the beginning of the year and the loans to deposits ratio at around 82%.

Bank Millennium keeps comfortable levels in terms of capital, liquidity and quality of assets. The capital ratios improved significantly in 2016; the Total Consolidated Capital Ratio and Common Equity Tier 1 stood at 18.0% (without including the result of the first half), enabling the bank to comfortably comply with the minimum capital requirements imposed by the regulator.

As at 30 June 2017, customer funds stood at to EUR 15,423 million, which represents an increase of 8.3%, compared to June 2016, excluding foreign exchange effect, and loans to customers increased 0.8% to EUR 11,542 million, excluding foreign exchange effect. The number of employees remained stable and by the end of June of 2017 totalled 5,865. On that date, the Issuer had 360 branches, 32 fewer than in June 2016.

### *Mozambique*

The Bank has had banking operations in Mozambique since 1995. Banco Internacional de Moçambique ("**Millennium bim**") is Mozambique's largest bank. In 2015, Millennium bim maintained its strategy focused on strengthening its value proposition, namely in the automatic channels, where new financial services were offered which meet the needs of the different customer segments.

During the first half of 2017, Millennium bim developed two concepts to expand its network: the promotion of the bank agents aiming to expand and ease the congestion of the network and partnership with Correios de Moçambique for the opening of new branches.

Millennium bim opened nine new branches and had a total of 179 branches, as at 30 June 2017. The number of ATMs increased to 486 and of POSs to 8,317, 4% and 9% up compared to the first six months of 2016, respectively. As a result of the aim to be closer to its customers and keep their trust, the customer base grew 11.5% compared to the first six months of 2016, reaching over 1.7 million Clients. At the end of the first six months of 2017, Millennium bim had 416,000 active mobile Clients, an increase of 15% when compared to same period of 2016.

During the first six months of 2017, Millennium bim recorded a net income of EUR 42.8 million, an increase of 42.6%, when compared to the same period of the previous year. In this period, net operating income grew 31.2% amounting to EUR 115.6 million, driven by the increase of 59.0% in net interest income and fees that rose by 14.3%. Operating costs increased 18.8% to EUR 42.7 million and cost-to-income stood at 36.9%. ROE increased from 21.1% to 25.8%. Credit impairment amounted to EUR 17.7 million (EUR 10.4 million recorded in June 2016, excluding FX effect) and the cost of risk increased from 196 basis points to 320 basis points. As at 30 June 2017, Millennium bim had a capital ratio of 25.8%. Ongoing discussions and inspections by the local supervisor will lead to a reduction in the locally reported capital ratios due to certain locally applicable rules with no impact on the financial statements of BIM. Such locally reported ratios are, and are expected to remain, comfortably above the required levels locally. These developments will have no bearing on the Group's reported capital ratios or consolidated financial statements.

Total customer funds in the first six months of 2017 stood at EUR 1,518 million, up from the EUR 1,369 million, excluding foreign exchange effect, recorded in June 2016, showing an increase of 10.9%. Loans to customers (gross) amounted to EUR 1,157 million in the first six months of 2017, compared to EUR 1,108 million in June 2016, an increase of 4.5%, excluding foreign exchange effect.

## *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.

On 8 October 2015, the Bank announced it had signed a memorandum of understanding with the main shareholder of BPA for the merger of BMA with BPA. The public deed for the merger was executed on 22 April 2016. Following the merger, BCP owns 22.5% of the share capital of Banco Millennium Atlântico.

In the context of the BMA merger with BPA, BMA was considered a discontinued operation in March 2016. As of the completion of the merger in May 2016, the new merged entity in which the Bank maintains a 22.5% shareholding, Banco Millennium Atlântico, is consolidated using the equity method.

## *Macao*

Millennium bcp's presence in Macao goes back to 1993, initially through an off shore license. In 2010, Millennium bcp began operating its first fully licensed (on shore) branch in Macao. This branch is directed at providing services to the Bank's network through support to individual and company customers, broadening the base of local customers and expanding the activity around the China-Macao-Portuguese speaking countries platform.

Among the various initiatives adopted to accomplish that strategy are the following: (i) support to Portuguese enterprises in the domiciling of activities in Macao for doing business with Southern China, wherein the branch acts as a support base; (ii) expansion of trade finance operations to support Portuguese enterprises in exports to China and/or imports from China; (iii) attracting companies trading in the Angolan capital market that have international trade operations with China; (iv) support to Chinese customers who, through the Millennium bcp network, apply for golden visas; (v) increase the contacts established between the Investment Banking area of Millennium bcp with Chinese companies seeking investment solutions in Portuguese-speaking countries; and (vi) continuing development/modernisation of the technological platform of the branch, namely the solution for trade finance operations.

As at 30 June 2017, customer funds stood at EUR 877 million and gross loans reached EUR 368 million. In the first six months of 2017 net income amounted to EUR 6.0 million (-33.9% in MOP and -36.0% in EUR, when compared with the same period of 2016), negatively influenced by the reduction in credit granted.

## *Switzerland*

Millennium Banque Privée, incorporated in Switzerland in 2003, is a private banking platform that provides discretionary management services to individual customers of the Group with large assets, as well as financial advisory and orders execution services.

Despite the pressure on margins in the private banking industry, operating income reached EUR 4.6 million in the first six months of 2017, representing a 18.5% increase versus the same period in 2016 mainly due to the growth in customer and the improvement of the mix of services provided by the bank by increasing the discretionary management service.

In spite of the fall in net interest income rate, net interest income grew 11% to EUR 2.3 million as a result of the increase in loans to customers. Fees increased 8% in relation to the same period of 2016, to stand at EUR 12.0 million. Operating costs decreased 0.7% to stand at EUR 10.9 million, mainly due to costs associated with the development of the Bank's technological platform. By the end of the first six months of 2017, earnings before provisions increased by EUR 1.15 million, to reach EUR 4.6 million. Net income stood at EUR 3.4 million, representing a 27.3% growth if compared with the same period of the previous year.

By the end of 30 June 2017, total customer funds amounted to EUR 2,780 million, representing a 4.9% increase versus 30 June 2016.

### *Cayman Islands*

Millennium bcp Bank & Trust, with head office in the Cayman Islands, holds a category "B" banking license, and provides international banking services to customers that are not resident in Portugal. The Cayman Islands are considered a cooperating jurisdiction by the Bank of Portugal.

As at 30 June 2017, Bank & Trust's customer funds stood at EUR 347 million and Bank & Trust's gross loans reached EUR 39 million, a change of -14.6% and -8.4%, respectively, when compared to 30 June 2016.

Bank & Trust's net earnings amounted to a loss of EUR 17.2 million, negatively influenced by net trading income.

### *Other*

The Bank also has ten representative offices (one in the United Kingdom, one in Germany, three in Switzerland, two in Brazil, one in Venezuela, one in China in Canton and one in South Africa), and five commercial protocols (Canada, United States, Spain, France and Luxembourg) and one commercial promoter (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 Eureko B.V.), Ageas, Sonangol and BPA. 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 25 November 2016, the Bank announced that, following the share capital increase of BCP, from €4,094,235,361.88 to €4,268,817,689.20 through the private placement of 157,437,395 new shares, all subscribed by Chiado (Fosun Group), Banco Sabadell informed the Bank that on 18 November 2016 it held 39,931,512 shares, which represented a qualifying holding of 4.23% in BCP's share capital.

On 12 December 2016, the Bank received the communication from Banco de Sabadell, S.A. regarding the decision to sell a block of 38,577,892 ordinary, nominative and book-entry shares, without par value, representing 4.08% of the total share capital and voting rights of the Bank directly or indirectly held by it. This operation should be materialised through the launch of a private placement by means of an accelerated bookbuilding process addressed exclusively to qualified and institutional investors. Citigroup Global Markets Limited ("**Citigroup**") was appointed as the Sole Bookrunner of the offering.

After the conclusion of this transaction, Banco Sabadell should remain the holder of 1,353,619 shares, representing 0.14% of the share capital of the Bank. According to the terms of the offer, Sabadell agreed with Citigroup a 90 days lock-up period, in which assumed the commitment not to sell these shares without the previous written agreement of Citigroup.

On 13 December 2016, following the communication released on 12 December 2016, the Bank informed having received a communication from Sabadell Group with the information of the successful conclusion of the private placement by means of an accelerated bookbuilding process addressed exclusively to qualified and institutional investors of 38,577,892 ordinary, nominative and book-entry shares, without par value, representing 4.08% of the total share capital and voting rights of the Bank directly or indirectly held by it. The price per share sold in the offering was EUR 1.15, amounting to EUR 44,364,575.80 for the aggregate number of shares sold.

*Achmea B.V. (formerly Eureko B.V.)*

In 1991, the Group established strategic partnerships with two significant European insurance groups, Friends Provident and AVCB Averro Centraal Beheer. In 1992, Eureko 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 PensõesGere, SGPS, S.A. became the fifth partner in this pan-European strategic insurance alliance. Eureko Group's holding in the Bank is currently 2.52% of the share capital and inherent voting rights, held by Eureko 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 Eureko 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 Eureko B.V. Through its asset management subsidiary F&C, Eureko 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 Eureko 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. 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 process aiming to refocus on core activities defined as a priority in its Strategic Plan, 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 (at that time 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., 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.

On 28 July 2014, the Bank announced that Ageas, on behalf of itself and its subsidiary Ocidental-Companhia Portuguesa de Seguros de Vida, S.A. ("**Ocidental Vida**"), had acquired a qualifying holding in the share capital of the Bank. The qualifying holding was a result of Ageas and Ocidental Vida having subscribed, respectively, 280,490,558 and 408,855,693 ordinary shares in the rights issue launched by the Bank on 27 June 2014, pursuant to the subscription rights attributed to them considering their participation in the Bank prior to the rights issue (156,623,179 shares in case of Ageas and of 233,631,825 shares in case of Ocidental Vida).

Following the settlement of the rights issue, on 23 July 2014, and allotment of the oversubscription, on 24 July, the number of shares held by Ageas increased to 437,113,737 and the number of shares held by Ocidental Vida increased to 652,087,518, thus Ageas Insurance International Group (i.e. Ageas and Ocidental Vida) increased its participation to 1,089,201,255 shares that correspond to 2.01% of the issued share capital and of voting rights of BCP.

On 16 June 2015, the Bank announced that it had received an announcement from Ageas, issued on behalf of itself and Ocidental Vida, informing that Ageas Insurance International Group (i.e. Ageas and Ocidental Vida) holding in the share capital of the Bank had fallen below the 2% threshold of qualifying holding (1.84%). The dilution of the former qualifying holding is a result of BCP's exchange offer of some of its subordinated debt and preference shares for ordinary shares, causing the issuance of 4,844,313,860 new shares, which increased the total outstanding ordinary shares in BCP to 59,039,023,275.

Following the announcement made by the Bank on 8 October 2015, the Bank informed on 25 April 2016 that the public deed for the merger of Banco Millennium Angola, S.A. with Banco Privado Atlântico, S.A. had been executed.

### **Significant Developments in 2015**

On 8 January 2015, the Bank announced that it had completed, on that date, the sale of BMR to OTP Bank. In accordance with the general conditions announced, the Bank received from OTP Bank, on that date, EUR 39 million as consideration for the sale. OTP Bank also ensured full reimbursement to the Bank of the intragroup funding provided by the latter to BMR, amounting to approximately EUR 150 million.

The sale of BMR brought forward yet another important measure on which BCP had committed with the DG Comp pursuant to its restructuring plan.

On 24 February 2015, the Bank announced that it was evaluating several scenarios to enhance the value of ActivoBank and that the process was in its initial phase. In accordance with the announcement made by the Bank on the referred date, it was not possible, at that stage, to affirm if the process would result in any transaction.

On 3 March 2015, the Bank announced that it had received a letter from Santoro Finance - Prestação de Serviços, S.A. stating that Santoro intended to "promote to the Boards of Directors of Banco BPI and of Millennium bcp the analysis of a merger transaction between both entities".

According to the Bank's announcement, as long as there was interest from Banco BPI, BCP's Executive Committee was available to analyse such a transaction, in compliance with applicable regulations. The Bank also announced that the above should not be construed as a guarantee that the process would result in any transaction or that any decision regarding this matter had been taken.

On 13 March 2015, the Bank announced that it had received a letter from ALLPAR GmbH, communicating the cancellation of the shareholders' agreement previously entered into by such company and Interoceânico - Capital, SGPS, S.A. The voting rights corresponding to the stakes in the share capital of the Bank held by each of these entities were therefore no longer reciprocally attributable.

Following the announcement, on 25 March 2015, of the launch of an accelerated placement to institutional investors of 186,979,631 ordinary shares of Bank Millennium constituting 15.41% of the Bank Millennium's existing share capital, the Bank announced, on 26 March 2015, the pricing of such accelerated placement, at a price of PLN 6.65 per ordinary share. After the completion of the Placement, BCP continues to hold a majority shareholding in Bank Millennium, corresponding to 50.1% of the Company's share capital.

On 17 April 2015, the Bank announced a public exchange offer ("**Offer**"), submitted to the resolution of the Bank's General Meeting of Shareholders. The Offer prevents future hits to capital, as eligibility for capital purposes of the securities being targeted by the Offer will cease over the coming years reflecting the CRD IV/CRR.

On 11 May 2015, the Bank announced about the resolutions of the General Meeting of Shareholders, where 46.63% of the share capital were represented:

**Item One** - Approval of the individual and consolidated annual reports, balance sheet and financial statements for 2014;

**Item Two** - Approval of the appropriation of the net losses on the individual balance sheet for "Retained Earnings";

**Item Three** - Approval of a vote of trust and praise addressed to the Board of Directors, including to the Executive Committee and to the Audit Committee and each one of their members, as well as to the Chartered Accountant and its representative;

**Item Four** - Approval of the statement on the remuneration policy of the Members of the Management and Supervision Bodies;

**Item Five** - Approval of the policy for the selection and evaluation of the adequacy of the Members of the Management and Supervision Bodies;

**Item Six** - Approval of the co-optation of a non-executive member of the Board of Directors to exercise functions in the triennial 2012/2014;

**Item Seven** - Approval of the election of the members of the Board of Directors and of the Audit Committee to exercise functions in the triennial 2015/2017;

**Item Eight** - Approval of the election of the members of the International Strategic Board to exercise functions in the triennial 2015/2017;

**Item Nine** - Approval of the election of the members of the Remuneration and Welfare Board to exercise functions in the triennial 2015/2017, and of their remuneration;

**Item Ten** - Approval of the appointment of a firm of independent statutory auditors, to, pursuant to Article 28 of the Companies Code, make a report on the contributions in kind to be made within the scope of the subscription of shares to be issued by new contributions in kind object of Item Eleven of the Agenda of the general meeting;

**Item Eleven** - Approval of the launching of a public offer for the exchange of subordinated securities and consequent increase of the share capital by contributions in kind up to EUR 428,000,000.00, made through the issue of up to 5,350,000,000 new shares without nominal value, under which:

- (a) the new contributions will be composed of securities issued by the Bank and by the subsidiary company BCP Finance Company Ltd with the ISIN PTBCPMOM0002, PTBCLWXE0003, PTBCPZOE0023, PTBIPNOM0062, PTBCTCOM0026, XS0194093844 and XS0231958520, and
- (b) these new shares will be issued with an issue price per share corresponding to 93% of the weighted average per volumes of the BCP share price in the regulated market Euronext Lisbon, in the five trading days immediately before the exchange public offer is launched, and, without prejudice to the minimum amount required by law, the issue price of up to EUR 0.08 per share corresponding to the issue value and the remaining amount corresponding to the premium, and on the consequent alteration of the articles of association (Article 4.1); and

**Item Twelve** - Approval of the acquisition and sale of own shares or bonds.

On 18 May 2015, the Bank announced the completion of the sale of MGA to CIMD Group. In accordance with the terms previously announced, the CIMD Group acquired the whole share capital of MGA.

On 11 June 2015, the Bank announced the results of the share capital increase with a partial and voluntary public tender offer for the acquisition of securities, highlighting notably the following: (i) securities in a global nominal amount of EUR 481,208,950 were contributed in this share capital increase, representing around 75.71% of the total amount available for exchange; (ii) as a consequence of the subscriptions made, 4,844,313,860 ordinary, nominative and book-entry shares with no par value were issued, at the issue price of EUR 0.0834 per share, which corresponds a total amount of the share capital increase of EUR 387,545,108.8; and (iii) with the conclusion of the Offer, the Bank reached pro forma CET 1 ratio in March 2015, after the share capital increase of 12.7% on a phased-in basis<sup>5</sup>.

On 29 September 2015, the Bank announced that DBRS removed the potential systemic support uplift for a group of European banks, in which BCP was included. That resulted in the removal of the previous one notch uplift from BCP's Intrinsic Assessment ("IA") for potential systemic support. BCP's IA has been maintained at "BB (high)", whereas the long-term senior unsecured and deposits ratings were downgraded from "BBB (low)" to "BB (high)", with "stable" trend. The short-term senior unsecured and deposits ratings were also downgraded from "R-2" to "R-3". The dated subordinated debt rating was confirmed at "BB".

<sup>5</sup> Calculated on the basis of Regulation No. 3/95 of the Bank of Portugal and Law No. 61/2014, of 26 August 2014, relating to deferred tax assets and the net results of the first quarter of 2015.

The systemic support was under review since 20 May 2015, following developments in European regulation and legislation, which, according to DBRS, have resulted in a lower likelihood of systemic support.

The maintenance of the IA at "BB (high)" reflected DBRS's view that BCP's fundamentals have now stabilised, supported in part by the improved economic environment in the Group's domestic operating environment. The "stable" trend reflects the improvement in the Group's capitalisation, supported by gradually improving core profitability.

On 8 October 2015, the Bank announced that it signed, on that date, a memorandum of understanding with the main shareholder of BPA (i.e. Global Pactum – Gestão de Ativos, S.A.) to merge BMA with BPA, resulting in the second-largest Angolan private sector bank in terms of loans to the economy, with a market share of approximately 10% by business volume.

The Bank also announced that joining the complementary capacities of BMA and BPA generates opportunities for growth and maximises the ability to create value in Angola, making it possible to maintain the contribution from activities in the country at levels in line with the Bank's ambitions and allowing returns on invested capital around 20%, compensating for the slowing-down of the Angolan economy compared to the Bank's initial plans.

The agreement defined mechanisms that ensure effective control and management of risks, in accordance with best practices, in particular, by attributing to the board of directors' members named by the Bank responsibility for the Risk Office and for Credit. The memorandum of understanding states that the new entity will have a board of directors with 15 members, of which five will be named by the Bank, as well as an executive committee with seven members, two of which to be named by the Bank. The Bank will also name one of the vice-chairmen of the board of directors, who will preside over the Risk Committee or the Audit Committee, as well as one of the vice-chairmen of the executive committee.

The valuation of the stakes of the two merged banks will be calculated based on their respective book values, subject to due diligence by an independent auditor. The Bank is expected to hold a stake of around 20% in the merged entity, with any potential adjustment to the Bank's stake to be valued at a multiple of 1.6 times the book value.

This operation would generate a positive impact, estimated at 0.37%, for the Bank's CET 1 capital ratio, on a phased-in basis. The completion of this transaction is subject to approval by BMA and BPA shareholders, as well by regulatory and supervisory entities.

### **Significant Developments in 2016**

On 24 February 2016, the Bank informed on the results of a tender offer for purchasing back notes, limited to a maximum aggregate purchase amount of EUR 300 million, with EUR 378,509,996.96 in amortised principal amount outstanding of notes validly tendered for purchase, of which Millennium bcp has decided to accept for purchase EUR 85,326,455.52.

On 21 April 2016, the Bank concluded with 44.76% 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 2015;

**Item Two** – Approval of the proposal for the application of year-end results;

**Item Three** – Approval of a vote of trust and praise addressed to the Board of Directors, including to the Executive Committee and to the Audit Committee and each one of their members, as well as to the Chartered Accountant and its representative;

**Item Four** – Approval of the statement on the remuneration policy of the Members of the Management and Supervision Bodies;

**Item Five** – Election of the External Auditor for the triennial 2016/2018;

**Item Six** – Election of the Single Auditor and his/her alternate for the triennial 2016/2018;

**Item Seven** – Approval of the acquisition and sale of own shares or bonds;

**Item Eight** – Approval of the: (i) renewal of the authorisation granted by paragraph 1 of Article 5 of the Bank's Articles Association, and (ii) suppression of the preference rights of shareholders in one or more share capital increases the Board of Directors may decide to carry out;

**Item Nine** – Approval on the alteration of the articles of association by adding a new no. 5 to Article 4; and

**Item Ten** – Approval of the regrouping, without decreasing the share capital, of the shares representing the share capital of the Bank.

On 25 April 2016, following the announcement made by the Bank on 8 October 2015, the Bank informed that the public deed for the merger of Banco Millennium Angola, S.A. with Banco Privado Atlântico, S.A. had been executed.

On 3 June 2016, the Bank informed that it had completed the evaluation of several scenarios to enhance the value of ActivoBank, a leading online bank in Portugal, and it had decided to keep ActivoBank in the Group, given its ability to generate value, especially in the context of the expected evolution of BCP's banking business.

On 30 July 2016, the Bank informed that it had received a letter from Fosun, containing a firm proposal for an investment in the share capital of BCP on the terms and conditions set forth in a Proposal Guidelines of Agreement. It also informed that Fosun proposed to subscribe to a private placement reserved solely to Fosun, to be resolved by BCP's board pursuant to the approval granted by BCP's shareholders in the general assembly held on 21 April 2016, through which, at current levels, Fosun would hold a shareholding of around 16.7% of the total share capital of BCP (the "**Reserved Capital Increase**"). Fosun also considered increasing its stake through secondary market acquisitions or in the context of future capital increases of BCP, with an aim of potentially increasing Fosun's shareholding to 20%-30% of BCP.

On 14 September 2016, the Bank informed that its Board of Directors had analysed, in a meeting held on that day, a recommendation from BCP's Executive Committee concerning the investment proposal received from Fosun on 30 July 2016. The Board of Directors of BCP welcomed the interest shown by Fosun and discussed main highlights of the likely terms of the investment. The Board of Directors has also requested the Executive Committee to expand negotiations with Fosun and, as soon as matters related to the conditions precedent listed in BCP's announcement dated 30 July 2016 were clarified, to call for the immediate convening of another meeting of the Board of Directors, in any case to be held before the end of the current month.

On 27 September 2016, the Bank informed that in a meeting convened that day, and taking into consideration (a) the resolution of the general meeting of shareholders of 21 April 2016, then announced to the market, which resolved on the regrouping, without decrease of the share capital, of the shares representing the Bank's share capital, subject to the condition of, and producing its effects with, the entering into force of a legislative amendment and (b) the publication, on 26 September 2016, of Decree-Law No. 63-A/2016 of 23 September 2016, which entered into force in the day immediately after its publication, its Board of Directors resolved:

- (i) To confirm, in the terms provided for in the abovementioned resolution of the general meeting of shareholders, that the legal framework of Decree-Law No. 63-A/2016, of 23 September 2016, is in accordance with the company's corporate interest;
- (ii) To subsequently declare the production of effects, on this date of 27 September 2016, of the resolution of the general meeting of shareholders of 21 April 2016, which resolved on the regrouping, without decrease of the share capital, of the shares representing the Bank's share capital, by applying a regrouping quotient of 1:75, every 75 (seventy five) shares prior to regrouping corresponding to 1 (one) share after the regrouping, this regrouping being applicable to all the shares, in the same proportion, with a rounding down to the nearest whole number of shares;



- (iii) To set, according to the referred resolution, the date of the production of effects of the regrouping on 24 October 2016, the shareholders being allowed to, until 21 October 2016, and also in accordance with the provisions of the resolution, proceed to the composition of their groups of shares, inter alia by means of the purchase and sale of the shares in order to obtain a total number of shares that is a multiple of 75, with a view to the regrouping, a guarantee in the amount corresponding to the maximum amount of the consideration to be attributed, being until such date, granted, or the same amount being deposited;
- (iv) To declare, under the terms of the abovementioned resolution of the general meeting of shareholders and of the provision of Articles 23 - E, no. 3 and 188 of the Portuguese Securities Code, that the amount of the consideration in cash to be received by the shareholders for the shares that do not allow the attribution of a whole number of shares is € 0,0257 per share, this amount corresponding to the weighted average price of the shares representing the Bank's share capital in the regulated market Euronext Lisbon in the six months period immediately prior to the date of the present resolution and its respective announcement published today;
- (v) To delegate in any two Directors that are members of the Executive Committee the performance of all execution and ancillary actions of the present resolution.

On 28 September 2016, the Bank informed that its Board of Directors decided to mandate the Executive Committee to proceed with, and to complete with exclusivity, the negotiations with Fosun, and to present the results thereon for approval on a coming meeting of the Board of Directors.

On 12 October 2016, BCP announced that it had proceed with a reverse stock split, without decrease of the share capital, of the shares representing the Bank's share capital, by applying a regrouping ratio of 1:75, every 75 (seventy-five) shares prior to the reverse split corresponding to 1 (one) share thereafter, which is applicable to all the shares, in the same proportion. Trading of the shares on the stock exchange would not be interrupted during this process. The current shares with ISIN PTBCP0AM0007 would be traded until the end of trading on October 21, and on October 24 trading would begin with the new ISIN PTBCP0AM0015, this being the effective date of the reverse stock split. The regrouping of BCP shares would be processed automatically by the respective financial intermediaries, without the need for shareholders to take any action to promote the proceedings for the regrouping of shares. Shareholders who wish might, until October 21 (inclusive), adjust the composition of their groups of shares, through the purchase or sale of shares in order to obtain a total number of shares that was a multiple of 75, with a view to the regrouping.

In accordance with the relevant legislation and as resolved by the Issuer:

- A) If the regrouping process did not result in the allocation of a whole number of new shares with ISIN PTBCP0AM0015, and given that fractional shares could not be delivered, the number of new shares to be delivered would be rounded down to the nearest whole number, and the holder of the respective fractional shares would be entitled to receive the cash consideration of €0.0257 per BCP share with ISIN PTBCP0AM0007 that was not subject to regrouping;
- B) The Issuer would promote the sale, on behalf of the holders, of the shares corresponding to the sum of the fractional shares resulting from the regrouping process that were not delivered, and the respective holders would receive the abovementioned cash consideration. In compliance with the provisions of Article 23.º-E, no. 8 of the Portuguese Securities Code added by means of the Decree-Law 63-A/2016 that approved the share regrouping regime, the costs inherent in this transmission should be borne by the Issuer. Thus, the accounts of all holders should be credited by the net amount of consideration for their respective fractional shares: (number of shares with ISIN PTBCP0AM0007 not subject to regrouping x €0.0257).

The above-mentioned procedures did not depend solely on BCP but also on the financial intermediaries that act as custodians of the shares. However, it was BCP's expectation that the majority of the holders of BCP shares would have received the abovementioned compensation by 8 November 2016.

On 9 November 2016, BCP concluded, with 34.7% of the share capital represented, the General Meeting of Shareholders, with the following resolutions:

**Item One** – Approval of the maintenance of the voting restrictions foreseen in Articles 26 and 25 of the articles of association;

**Item Three** – Approval of changes to the articles of association by altering the Article 2 (1), Article 11 (1), Article 17 (3), Article 21 (1), Article 22 (1), Article 31 (6), Article 33, Article 35 (2), Article 37 (1) and suppression of Article 51 (and therefore of Chapter XI - "Transitory Proviso");

**Item Four** – Approval of the increase of the number of members of the Board of Directors.

Before the beginning of the discussion of item two, which has been postponed to the end of the meeting, the Board of Directors' proposal recommending the suspension of the meeting, to be resumed on 21 November 2016, at 14.30 hours was approved. On 21 November 2016, in the second session of the General Meeting of Shareholders of 9 November 2016, with 34.7% of the share capital represented, the shareholders present and represented approved the Board of Directors' new proposal for the suspension of the meeting, to be resumed on 19 December 2016, at 11.00.

On 20 November 2016, BCP announced the approval by its Board of Directors of the result of negotiations with Fosun as well as the increase of BCP's share capital, through a private placement, as follows:

#### **1. Memorandum of Understanding and Subscription Agreement with Fosun**

On 18 November 2016, BCP and Fosun have entered into a Memorandum of Understanding setting out the terms of Fosun's investment in the share capital of BCP ("**MoU**"), pursuant to which Chiado (Luxembourg) S.à r.l. ("**Chiado**"), affiliate of Fosun, agreed to invest in BCP through a private placement of 157,437,395 new shares (the "**Reserved Capital Increase**").

Observing the corporate governance procedures applicable to BCP, and for the current mandate ending in 2017, the MoU provides for the co-option of: (i) two board members, whose appointment as additional members of the Executive Committee will also be proposed, with one of them to be appointed to the role of an additional Vice-President of the Executive Committee; and (ii) subject to Chiado holding at least 23% of the share capital of BCP, three non-executive directors, with one of them to be appointed to the role of Vice-Chairman of the Board of Directors and one proposed as a member of Committee for Nominations and Remunerations.

In light of the synergies and business development opportunities, the MoU foresees subsequent discussions for, on an arms' length basis, and without a commitment on the results, establishing long-term insurance distribution agreements outside of Portugal.

To effect the above, Fosun and Chiado also agreed to a lock-up in respect of the sale of shares subscribed by it under the Reserved Capital Increase for a period of three years from the date of subscription.

Fosun has reaffirmed in the MoU its strong interest to subsequently raise its shareholding in BCP to around 30% of its share capital through primary or secondary market transactions, once the increase of the voting cap to 30% of the share capital is approved.

#### **2. Reserved Capital Increase**

In accordance with the resolution of the General Meeting of Shareholders of 21 April 2016 to suppress the pre-emptive right of the shareholders, the Board of Directors of BCP has approved a resolution for the increase of BCP's share capital, from € 4,094,235,361.88 to € 4,268,817,689.20, by way of a private placement of 157,437,395 new shares offered for subscription by Chiado at a subscription price of €1.1089 per new share.

The above-mentioned share capital increase by way of private placement has already been subscribed for by Chiado, and its registry has been requested to the competent Commercial Registry Office on 18 November 2016.

The new ordinary shares entitle their holders to the same rights as those of previously existing shares.

On 19 December 2016, the General Meeting of Shareholders of 9 November 2016 that had been resumed was concluded and, with 33.5% of the share capital represented, approved item 2 regarding the change of voting limitations set forth in Article 26(1) of the articles of association from 20% to 30%.

On 19 December 2016, the Bank informed that following the resignation of Mr. Bernardo de Sá Braamcamp Sobral Sottomayor, announced on 29 February 2016, the Portuguese State appointed Mr. André Palma Mira David Nunes, as a non-executive member of the Board of Directors, to be its representative in the Bank's corporate bodies. Mr. André Palma Mira David Nunes will also be a member of the Commission for Risk Assessment and the Commission for Nominations and Remunerations.

### **Recent Developments in 2017**

On 9 January 2017, BCP announced, pursuant to the authorisation set out in Article 5 of BCP's by-laws, as renewed at the General Meeting of Shareholders of 21 April 2016, that the Board of Directors of BCP had resolved, on that day, with the favourable prior opinion of the Audit Committee, to increase the share capital of BCP, from €4,268,817,689.20 to €5,600,738,053.72, through an offering to existing holders of BCP's ordinary shares pursuant to their respective pre-emption rights, and other investors who acquire subscription rights, to subscribe for 14,169,365,580 new ordinary, book entry and registered shares, without nominal value (the "Rights Offering").

The subscription price was set at €0.0940 per share. The subscription price represented a discount of approximately 38.6% to the theoretical ex-rights price based on the closing price of BCP shares on Euronext Lisbon on 9 January 2017.

Each holder of BCP's ordinary shares received one subscription right for each ordinary share it owned.

Further to the subscription by Chiado of the Reserved Capital Increase completed on 18 November 2016 through which Chiado came to hold a shareholding of approximately 16.67% of the total share capital of BCP, Chiado presented an irrevocable anticipated subscription order of an amount of shares in the Rights Offering that, if satisfied in full, would increase its holding in BCP's share capital to 30% after the Rights Offering, to be achieved through the exercise of the subscription rights corresponding to the number of shares presently held by it and, in addition, an oversubscription order and/or the potential exercise of further subscription rights that may be acquired by Chiado.

Under the terms of the subscription order, Chiado has committed to (i) a lock-up period related to the sale of shares subscribed by it through its proportional subscription rights corresponding to the number of shares acquired as part of the Reserved Capital Increase, for a period of three years starting from 18 November 2016 and (ii) taking all reasonably appropriate actions to avoid the sale or transfer, within 30 days of closing of the Rights Offering, of any of the shares obtained by Chiado in the Rights Offering. For the avoidance of doubt, this limitation does not prohibit Chiado from pledging the shares subscribed by it.

BCP was informed that, in the context of the change to the voting cap provided in the articles of association of BCP to 30%, Sonangol requested and obtained authorisation from the ECB to increase its stake in the share capital of BCP to up to circa 30%. The Bank further announced that it had no information regarding Sonangol's decision with reference to the Rights Offering, notably as to the exercise, sale and/or purchase of subscription rights.

BCP announced that it intended to use the proceeds from the capital increase to repay the GSIs in full shortly after completion of the Rights Offering (at such date outstanding in the amount of €700,000,000, following the repayment of €50,000,000 on 30 December 2016) and to strengthen BCP's balance sheet. For this purpose, the Bank has received the ECB's and the Bank of Portugal's authorisation to fully repay the remaining GSIs, subject to the successful completion of the Rights Offering.

On 9 January 2017, the Bank also informed that, on that date, the Board of Directors resolved on the co-option of Mr. Lingjiang Xu and Mr. João Nuno Palma to exercise the functions of members of the Board of Directors, non-executive and executive, respectively, until the end of the current term of office (2015-2017).

On 3 February 2017, the Bank announced that the above mentioned share capital increase had been fully subscribed, resulting in the issuance of 14,169,365,580 ordinary, registered and book-entry shares, without nominal

value, with the issuance price and subscription price of €0.094 per share. 13,943,683,125 ordinary shares were subscribed to pursuant to the exercise of subscription rights, representing about 98.4% of the total number of ordinary shares to be issued pursuant to the Rights Offering. The remaining 225,682,455 ordinary shares were available to satisfy oversubscription orders. Oversubscription orders totaled 3,463,624,516 ordinary shares, which exceeded about 14.3 times the amount available. The total demand registered in this capital increase accounted for approximately 122.9% of the amount of the Rights Offering.

As such, the current share capital of the Bank is now of €5,600,738,053.72, represented by 15,113,989,952 ordinary, registered, book-entry shares without nominal value.

The new ordinary shares will be fungible with existing ordinary shares and, as of the date of issuance, will entitle their holders to the same rights as those of existing shares.

The 14,169,365,580 new ordinary shares issued pursuant to the Rights Offering, as well as the 157,437,395 shares fully subscribed and paid-up by the shareholder Chiado (Luxembourg) S.à r.l. (a member of the Fosun group) in the reserved share capital increase of the Bank (in the amount of €174,582,327.32) completed on 18 November 2016, were admitted to trading on Mercado Regulamentado Euronext Lisbon as of 9 February 2017, under the ISIN code PTBCP0AM0015.

On 9 February 2017, BCP announced that the outstanding GSIs, in the amount of €700,000,000, had been reimbursed.

On 10 February 2017, BCP announced that Mr. João Bernardo Bastos Mendes Resende, member of the Board of Directors, presented his resignation to the Board of Directors.

On 10 May 2017, the Bank concluded with 54.17% 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 2016;

**Item Two** – Approval of the proposal for the application of year-end results;

**Item Three** – Approval of a vote of trust and praise addressed to the Board of Directors, including to the Executive Committee and to the Audit Committee and each one of their members, as well as to the Chartered Accountant and its representative;

**Item Four** – Approval of the statement on the remuneration policy of the Members of the Management and Supervision Bodies;

**Item Five** – Approval of the appointment of two new directors: Lingiang Xu as non-executive member of the Board of Directors of BCP and João Nuno de Oliveira Palma as executive member of the Board of Directors of BCP;

**Item Six** - Approval of the acquisition and sale of own shares or bonds;

**Item Seven** – Election of the members of the Board of the General Meeting of Banco Comercial Português for the term-of-office of 2017/2019.

On 23 May 2017, the Bank announced that it had set the terms and conditions for a new issue of covered mortgage bonds, under its Covered Bond Programme, with subscription date on 31 May 2017. The issue, in the amount of €1.0 billion, had a term of 5 years, an issuance price of 99.386% and an annual interest rate of 0.75%, reflecting a spread of 65 basis points over 5-year swaps. The operation was placed successfully with a very diverse group of European institutional investors. Demand for the issue was more than 180% the amount on offer. This issue signaled the return of the Bank to the capital debt markets more than 7 years after its most recent mortgage bond issue, and represented part of the bank's financing strategy for the coming years. Joint leaders for the operation were Millennium bcp, Mediobanca, Natixis, NatWest Markets, Unicredit and Société Générale.

On 28 June 2017, BCP announced that following the meeting of the Board of Directors held on that date, a decision has been taken to co-opt three new non-executive members of the Board of Directors: Ms. Gu Xiaoxu, Mr. Li Cheng and Mr. Zhihua Shen, increasing the number of directors to 22, 14 of which are non-executive. This decision has been taken in accordance with: (i) the General Shareholders' Meeting held on 9 November 2016 that approved the maximum of 25 members for the Board of Directors, in accordance with Article 11 (1) of the articles of association of BCP and (ii) the Memorandum of Understanding agreed on 18 November 2016 between the Bank and Fosun setting out the terms of Fosun's investment in the share capital of BCP that established, observing the corporate governance procedures applicable to BCP, the co-optation of 5 board members, subject to Chiado holding at 23% of the share capital of BCP.

On 1 September 2017, the Bank announced that, after having conveyed reservations regarding the contingent capitalisation obligation by the Portuguese Resolution Fund (Fundo de Resolução) which was announced as part of the sale agreement of Novo Banco, it had decided, in light of the legal deadline and as a precaution, to promote administrative legal proceedings with a view that it is subject to judicial review. This process, which is centred exclusively on the capitalisation obligation referred to above, does not entail the suspension of the sale of Novo Banco, S.A. which was completed on 18 October 2017.

On 28 September 2017, the Bank announced that along with Caixa Geral de Depósitos and Novo Banco it had signed on that date a memorandum of understanding for the creation of "Plataforma de Gestão de Créditos Bancários, ACE" (the "**Platform**"), a tool that will allow for an enhanced co-ordination among lenders, aimed at increasing the effectiveness and speed of credit and companies' restructuring processes. Under this memorandum, the three parties involved have stated their intention to create the Platform, with the purpose of managing, in an integrated manner, an array of credits granted to a number of shared debtors and classified as NPE.

The Bank also announced that on an initial phase, the Platform will manage credits with a nominal aggregate value not lower than €5,000,000 per eligible debtor. Assets to be managed by the Platform will remain in each of the banks' balance sheets. The Platform was designed to allow other financial institutions or financial societies, sharing debtors with other members, to join on a voluntary basis in the future.

The Bank also announced that the Platform is to pursue the following goals:

- Recovering credit and speeding-up the reduction of NPE portfolios held by banks;
- Supporting the recovery of several sectors of the Portuguese economy, through credit and debtor restructuring, and increasing asset viability;
- Fostering companies' re-composition and consolidation, when necessary to ensure debtor viability and soundness;
- Facilitating and fostering the access of companies, either already restructured or under restructuring, to public or private sources of new capital or of funding;
- Accelerating and facilitating debtors' negotiations with banks, aimed at corporate restructuring;
- Lobbying the Government and the Bank of Portugal for changes to the legal, judicial and fiscal framework, as to render corporate restructuring processes swifter and more efficient.

Lastly, the Bank announced that the memorandum of understanding also required the appointment of Mr. José Correia as the Chief Executive Officer of the Platform and as the coordinator of its establishment process. Other corporate bodies will be staffed by representatives of the financial entities involved and by independent members to be appointed.

## **B. 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, in areas such as corporate banking, asset management, private banking and brokerage services, as well as universal banking services, namely traditional retail banking.

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. As the national supervisory authority, the Bank of Portugal is part of the Single Supervisory Mechanism, the European banking supervision system, entrusted with the safety and robustness of European banks. National competition authorities and the EC have parallel competencies for enforcing European antitrust laws in close co-operation.

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 reprivatisation 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 banks in the Portuguese banking system have rationalised their operating structures.

As at the end of August 2017, 320 credit institutions, financial companies and payment institutions were registered in Portugal, of which 145 were banks (including two institutions in liquidation) (Source: Bank of Portugal). Financial institutions with head offices in the European Economic Area providing cross-border services amounted to 912, as at the end of 2016 (Source: Bank of Portugal). Common indicators do not indicate levels of concentration significantly divergent from those of the Eurozone. For instance, as of 2016, the total asset share of the five largest credit institutions represented 71% for Portugal, which is above Germany's 31% but below Greece with 97%, Estonia with 88%, Lithuania with 87%, Netherlands with 85%, Malta with 80% and Croatia and Slovakia with 73% (for the EU28 it was 61% and for the euro area it was 63%) (Source: European Central Bank).

In Portugal, the Bank competes primarily with the four other major Portuguese banking groups: Caixa Geral de Depósitos, Banco Santander Totta, CaixaBank/BPI and Novo Banco. 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, as at 30 June 2017, BCP had a market share of 17.8% of loans to customers (gross) and 17.3% 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 30 June 2017 and as at 31 December 2016 and 2015:

	<i>As at 30 June 2017</i>	<i>As at 31 December</i>	
		<u>2016</u>	<u>2015</u>
Loans to customers.....	17.8%	17.8%	18.1%

Sources: BCP, the Bank of Portugal.

The following table shows the number and geographic location of the Bank's branches as at 30 June 2017 and as at 31 December 2016 and 2015:

	<i>As at 30 June</i>	<i>As at 31 December</i>	
	<u>2017</u>	<u>2016</u>	<u>2015</u>
Portugal	596	618	671
Bank Millennium in Poland	360	368	411
Millennium bim in Mozambique	179	176	169
Banco Millennium Angola	0	0	90
Millennium Banque Privée in Switzerland	1	1	1
Total in the International activity	540	545	671
	1,136	1,163	1,342

The following table illustrates the competitive environment in Portugal for the two years ended 31 December 2016 and 2015:

	<i>As at 31 December</i>	
	<u>2016</u>	<u>2015</u>
Number of banks <sup>(1)</sup>	28	28
Number of branches	4,454	4,763
Population (thousands)	10,310	10,375
Inhabitants per branch	2,315	2,178
Branches per bank	159	170

Sources: Portuguese Banking Association and Portugal's National Statistics Institute

<sup>(1)</sup> Banks associated with the Portuguese Banking Association.

The Bank is also subject to strong competition in the international markets in which it operates.

The banking sector in Poland is characterised by a relatively low concentration sustaining strong competitive pressure. 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 June 2017, Bank Millennium's market share in Poland, according to the Bank's estimates derived from data published by the National Bank of Poland, was 4.4% of loans to customers (gross) and 5.2% of deposits.

In Mozambique, Millennium bim is the market leader with a market share of 29.7% of loans to customers and 29.5% of deposits in June 2017, according to the Bank of Mozambique. Currently, 19 banks operate in Mozambique and management expects increasing competition from foreign banks, particularly those based in South Africa and Portugal (Source: Bank of Mozambique).

Banco Millennium Angola merged with Banco Privado Atlântico, resulting in the second-largest private sector bank in terms of loans to the economy, with a market share of approximately 10% by business volume: market share above 11% in terms of loans and above 12% in terms of deposits (Source: Bank of Angola).

### **Third party information**

Information sourced from the Bank of Portugal, Portuguese Banking Association (*Associação Portuguesa de Bancos*), 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 Issuer 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.

### **C. Trends Information**

During the first six months of 2017 the Portuguese banks continued to develop their activities within a challenging environment, in spite of the boost in economic growth. Banks are operating within a context of very low interest rates, exerting pressure on financial margins. Moreover, the Portuguese banks have a significant number of non-interest bearing assets on their balance sheets.

The Banco de Portugal's forecasts for the Portuguese economy in the 2017-19 time frame point towards the recovery of economic activity at a quicker pace than in the last few years. GDP is expected to grow on average 2.5% in 2017, 2.0% in 2018 and 1.8% in 2019. At the end of this period, GDP levels are expected to stand slightly above the figures recorded before the world financial crisis began in 2008. In addition, the growth rate throughout the forecast period should be higher than that of the euro area, according to the ECB's forecasts. It is expected that, in 2017-19, the contribution provided by investment and net exports will increase its importance in GDP growth. According to data disclosed by INE (Portuguese Statistics Institute), in March 2017, the public deficit stood at 2.0% of GDP in 2016, the lowest ever since joining the Euro area and the first time it has been below 3%. In addition, Portugal was released from the Excessive Deficits Procedure in June 2017.

Three of the four rating agencies that rate the Portuguese Republic (DBRS, Fitch and Moody's) confirmed their ratings in the beginning of 2017, Fitch and Moody's having assigned a positive outlook, and Standard & Poor's upgraded the Portuguese Republic rating from BB+ to BBB-, which means that currently there are two rating agencies that rate the Portuguese Republic as investment grade.

According to the Banco de Portugal, the funding operations made by the Portuguese banks with the ECB fell to EUR 22.3 billion in June 2017, consistent with the general trend since the second half of 2013. These figures show an improvement in the liquidity position of the domestic banks which has benefited from a resilient performance from deposits, namely from individuals (a 1.1% decrease by the end of June 2017, compared with the same period of last year, with demand deposits up 12.4% and term deposits down 6.6%).

Moreover, the deleveraging of the Portuguese financial sector continues and the total credit to individuals and to companies decreased 4.0% year on year, as of June 2017. The loan to deposit ratio of the banking sector in Portugal stood under 100% by the end of June 2017 versus 128% by the end of 2012 and 158% by the end of 2010.

Loans granted by Millennium bcp have continued to diminish, in a context of deleveraging of the non-financial sectors of the economy, resulting in a fall in demand for credit. At the same time, deposits also continued to grow despite the fact that the bank let go of some institutional deposits requiring higher remuneration, complying with a policy for the preservation of the financial margin. As the commercial gap closes, Millennium bcp has also been reducing its use of funding from the ECB, to EUR 3.6 billion in June 2017. Over the upcoming months, the expectation is that these trends will continue, and it is highly likely that the credit/deposit ratio will continue to fall, together with the maintenance of funding from the ECB under EUR 4 billion.



The maintenance of very low money market interest rates is contributing to the decrease of the spread on term deposits of the Portuguese banks, a trend that persisted in the first half of 2017, more than offsetting the lower spreads for credit.

The rates of the new term deposits reached, by the end of June 2017, values near 25 basis points, and the portfolio's average rate should converge to these levels over the course of next year.

The price effect on the financial margin should continue to be globally positive, reflecting the improvement of the interest margin on operations with customers (differential between the global loan rate and the global rate at which the banks remunerate deposits). Nevertheless, the continued reduction in credit granted (volume effect) will probably continue to condition the financial margin.

The profitability of the Portuguese banks is expected to continue to be conditioned by the prospects of low short term interest rates continuing to apply. Various institutions should continue to implement restructuring plans, to increase operating efficiency and the adjustment of business models, which translates into a decrease in the number of branches and employees and in the release of capital allocated to non-core activities. Profitability in the banking industry is still affected by a high level of NPEs. The profitability levels recorded by the banking system since the beginning of the financial crisis continue to limit the capacity to generate capital internally.

The Millennium bcp group has a relevant exposure to Poland where there are risks due to legislative amendments that impact the Polish financial system. A proposal has been recently presented to solve the issue of the conversion of loans in Swiss francs in Poland and the plan envisaged by the Polish President received support from the Central Bank and the supervisor. This plan entails a quarterly contribution of 0.5% (2% annually) on the mortgage loans in a foreign currency into a new restructuring fund for a long period of time. The objective is to promote the conversion of the loans into zloty.

There are still some risks connected with the economic context experienced by some African countries, with potential impact on the Group, particularly in Angola and in Mozambique, whose economic activity is decelerating and which faced a significant depreciation of their currencies in 2016.

The continuous improvement in core income<sup>6</sup> as well as the continuation of the restructuring and reduction of costs should play a positive role and contribute to the improvement of the 2017 results, though conditioned by the economic picture.

Management is intensely focused on the stock of problematic assets and respective hedging levels, and measures should be adopted to reduce these assets, together with other preventive measures, to be applied within the scope of prudential supervision and targeted at new NPLs so as to foster a more pro-active management of them, including measures to remove the blocking factors in legal, judicial and tax systems. The NPLs issue is particularly important within a European context, conditioning the profitability of European banks, particularly in Portugal. The Bank has an ongoing plan for reducing NPEs to around EUR 7.5 billion at the end of 2017, which compares to EUR 12.8 billion at the end of 2013.

It is not yet possible to determine what will be the final impact of the resolution of BES on Millennium bcp as an institution participating in the Resolution Fund. In 2016, the contributions made by the Bank to the Resolution Fund consisted of 20% of the total contributions paid by the banking industry. The Resolution Fund, which in turn holds the entire share capital of Novo Banco, valued on 31 December 2015 at EUR 4.9 billion (consisting of EUR 3.9 billion financed by a State loan, plus EUR 700 million obtained by loans granted by several banks, with the remainder funds that were already in the Resolution Fund).

In March 2017, the conditions for loans granted by the Portuguese state to the Resolution Fund were changed. The maturity of the loans was revised to December 2046, with a view that annual payment due to the lenders is met by the income from the regular contribution charged to the banking sector, keeping the banks' contributions substantially unchanged at their current level.

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<sup>6</sup> As used in this Offering Circular, “core income” means net interest income plus net fees and commission income.

The revision of the loans enables the full payment of the liabilities of the Resolution Fund, as well as the respective remuneration, without the need to ask the banking sector for special contributions or any other type of extraordinary contribution.

The revision of the conditions of the state loan to the Resolution Fund, though it does not alter the banking sector's liabilities towards the Resolution Fund, represents yet another measure to ensure financial stability, after a deep recession, and to favour the reinforcement of the capitalisation of Portuguese banks, as well as the competitiveness of the Portuguese economy.

The European Commission agreed with the revision of the terms and conditions of the agreements and removed the uncertainty surrounding the future annual liabilities of banks, regardless of the contingencies that come to fall on the Resolution Fund.

On 1 September 2017, BCP announced that, after having conveyed reservations regarding the contingent capitalisation obligation by the Portuguese Resolution Fund (Fundo de Resolução) which was announced to be included in a sale agreement of Novo Banco, it had decided, in light of the legal deadline and as a precaution, to promote administrative legal proceedings with a view that it is subject to judicial review.

This process, which is centred exclusively on the capitalisation obligation referred to above, does not entail the suspension of the sale of Novo Banco, S.A. which was completed on 18 October 2017.

The BRRD foresees a joint resolution regime in the European Union enabling the authorities to cope with the insolvency of bank institutions. The shareholders and creditors will have to internalise an important part of the costs associated with the insolvency of a bank, minimising taxpayers' costs.

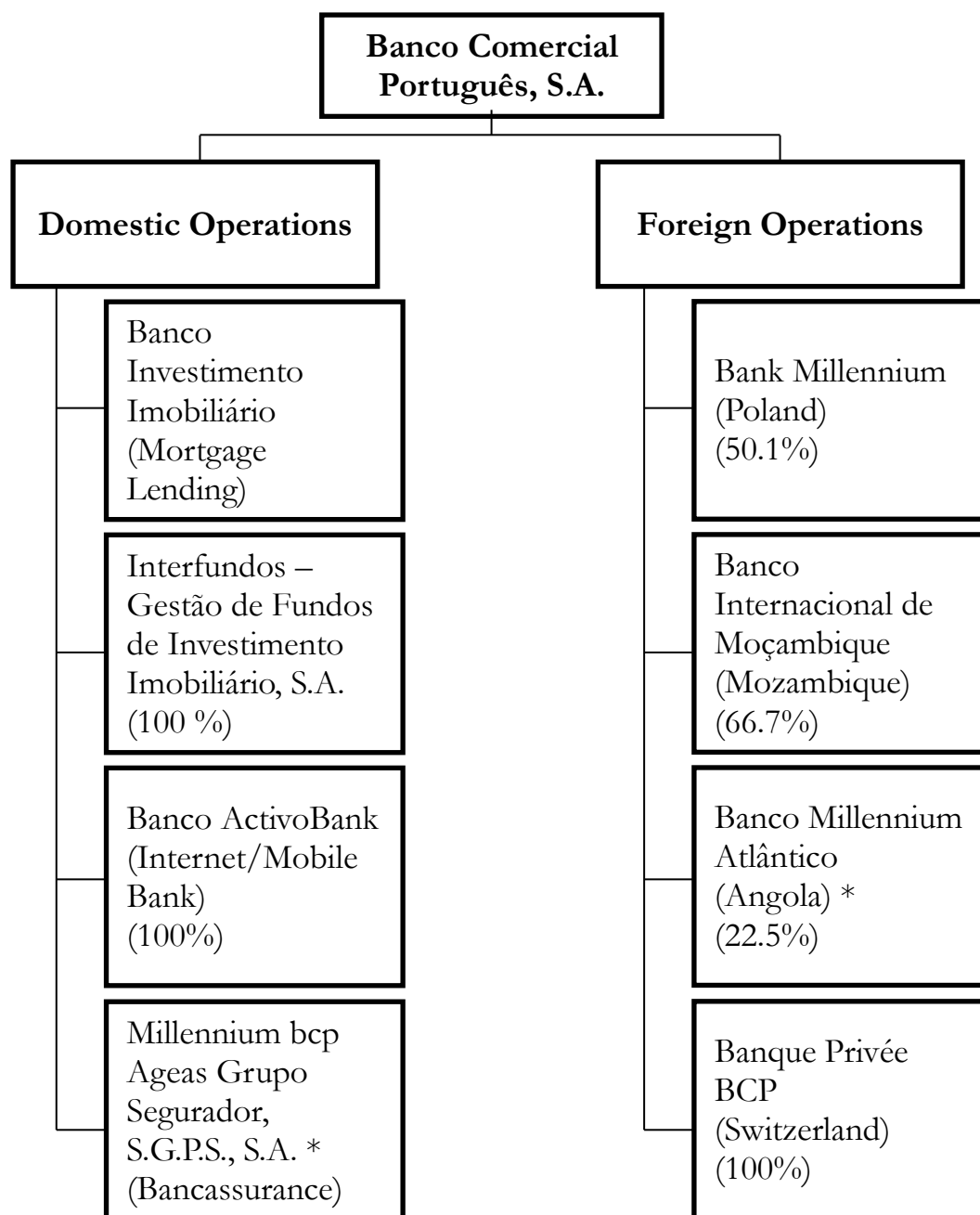
To prevent bank institutions from structuring their liabilities in a way which may compromise the efficiency of the bail-in or of other resolution tools and to avoid the contagion risk or a bank run, the BRRD establishes that the institutions will have to comply with a MREL.

The MREL regime, which became effective during 2016, involves a transition period and should have implications on the issue of debt by bank institutions, implying the introduction of alterations in the liability structure through the issue of new senior debt with some subordination structure or strengthening Tier 2.

#### **D. Organisational Structure**

##### *The Bank and the Group*

The following diagram summarises the organisational structure of the principal subsidiaries of the Group as at 30 June 2017:



\* Consolidated by the equity method.

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 as of 30 June 2017:

<b>Subsidiary companies</b>	<b>Head Office</b>	<b>Activity</b>	<b>% held by the Group</b>	<b>% held by the Bank</b>
Banco de Investimento Imobiliário, S.A. ....	Lisbon	Banking	100	100
Banco ActivoBank, S.A. ....	Lisbon	Banking	100	–
Banco Millennium Atlântico, S.A. ....	Luanda	Banking	22.5	–
Bank Millennium, S.A. ....	Warsaw	Banking	50.1	50.1
Banque Privée BCP (Suisse) S.A. ....	Geneva	Banking	100	–
Banco Internacional de..... Moçambique, S.A. ....	Maputo	Banking	66.7	–
Interfundos - Gestão de Fundos de Investimento Imobiliários, S.A. ....		Investment fund		
	Oeiras	management	100	100
Millennium bcp - Prestação ..... de Serviços, A. C. E. ....	Lisbon	Services	93.9	83.5
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. ....	Oeiras	Holding company	49	–

### 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.

### E. Share Capital

The authorised, issued and fully paid up share capital of the Bank is EUR 5,600,738,053.72 divided into 15,113,989,952 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, 4100 - 138 Oporto.

### F. Legislation regulating the activity of the Bank

The Bank is governed by European Union rules, commercial Portuguese laws on limited liability companies (*sociedades anónimas*) – notably by the Portuguese Companies Code – and, in particular, by the Banking Law, 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 Market Commission (*Comissão do Mercado de Valores Mobiliários*) as an issuer and a financial intermediary and to the supervision of the Portuguese Insurance and Pension Funds Supervisory Authority (*Autoridade de Supervisão de Seguros e Fundos de Pensões (ASF)*) as the tied insurance intermediary.

## **G. Management, Audit Committee and Statutory Auditor**

On 28 February 2012, the Bank adopted a one-tiered corporate governance model, with one Board of Directors within which there is 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 of Shareholders.

The General Meeting of Shareholders held on 11 May 2015 approved the election of the Board of Directors for the 2015/2017 term of office, including the Audit Committee.

Mr. Bernardo de Sá Braamcamp Sobral Sottomayor presented its resignation as member of the Bank's Board of Directors, which was approved by the Minister of State and Finance on 26 February 2016.

Following the resignation of Mr. Bernardo de Sá Braamcamp Sobral Sottomayor, on 19 December 2016, the Portuguese State appointed Mr. André Palma Mira David Nunes, as a non-executive member of the Bank's Board of Directors, to be its representative in the Bank's corporate bodies.

On 9 January 2017, the Board of Directors resolved on the cooptation of Mr. Lingjiang Xu and Mr. João Nuno Palma to exercise the functions of members of the Board of Directors, non-executive and executive, respectively, until the end of the current term of office (2015-2017), and on 10 May 2017, the Annual General Meeting of Shareholders ratified the co-option of the aforementioned directors.

On 10 February 2017, Mr. João Bernardo Bastos Mendes Resende presented his resignation to the Board of Directors.

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 Magalhães Luiz Gomes António Henriques de Pinho Cardão António Luís Guerra Nunes Mexia Cidália Maria Mota Lopes Jaime de Macedo Santos Bastos João Manuel de Matos Loureiro João Nuno de Oliveira Jorge Palma José Jacinto Iglésias Soares José Miguel Bensliman Schorcht da Silva Pessanha Lingjiang Xu Maria da Conceição Mota Soares de Oliveira Callé Lucas Miguel de Campos Pereira de Bragança Miguel Maya Dias Pinheiro Raquel Rute da Costa David Vunge Rui Manuel da Silva Teixeira

On 28 June 2017, three new non-executive members of the Board of Directors were co-opted, Gu Xiaoxu, Li Cheng and Zhihua Shen, and the fit property evaluation is pending.

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	SOCO International, Plc
<b>Carlos José da Silva</b>	Chairman of the Board of Directors	Banco Millennium Atlântico, S.A.
	Chairman of the Board of Directors	Banco Privado Atlântico Europa, S.A.
	Chairman of the Board of Directors	Atlântico Europa, SGPS, S.A.
<b>Nuno Manuel da Silva Amado</b>	Chairman of the Board of Directors	Angola Management School
	Vice-Chairman	APB-Associação Portuguesa de Bancos (in representation of BCP)
	Member of the Supervisory Board	EDP-Energias de Portugal, S.A.
	Member	Institut International D'Études Bancaires
	Member of the Board of Auditors	Fundação Bial
	Chairman of the Advisory Council	Centro Hospitalar do Oeste
	Member of the General Board	
	Effective member of the Plenary	Universidade de Lisboa
		Interdisciplinary Specialised Committee for Birthrate (CEPIN) and of the Specialised Standing Committee for Regional Development and Land Planning (CDROT) of the Conselho Económico e Social (CES)
	Member	Advisory Board of BCSD Portugal – Conselho Empresarial para o Desenvolvimento Sustentável (in representation of BCP)
<b>Álvaro Roque de Pinho Bissaia Barreto</b>	Chairman of the Senior Board	Alumni Clube ISCTE
	Chairman of the Board of Directors	Tejo Energia - Produção e Distribuição de Energia Eléctrica, S.A.
	Non-executive director	Nutrinveste - Soc. Gestora de Participações Sociais, S.A.
	Chairman of the Board of the General Meeting of Shareholders	Prime Drinks, S.A.
<b>André Magalhães Luís Gomes</b>	Lawyer	Sociedade de Advogados Luiz Gomes & Associados
	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.
	Chairman of the Board of the General Meeting of Shareholders	FGA Capital - Instituição Financeira de Crédito, S.A.
	Chairman of the Board of the General Meeting of Shareholders	FGA Distribuidora Portugal, S.A.
	Chairman of the Board of the General Meeting of Shareholders	Fiat Group Automobiles Portugal, S.A.
	Chairman of the Board of the General Meeting of Shareholders	Rentipar Financeira, SGPS - S.A.
	Chairman of the Board of the General Meeting of Shareholders	Quinta do Carmo - Sociedade Agrícola S.A.

<b>António Henriques de Pinho Cardão</b>	Chairman of the Board of the General Meeting of Shareholders	Explorer Investments, Sociedade Capital de Risco S.A.
	Chairman of the Board of the General Meeting of Shareholders	Explorer Investments, SGPS S.A.
	Chairman of the Board of the General Meeting of Shareholders	Atena Equity Partners - Soc. de Capital de Risco S.A.
	Chairman of the Board of the General Meeting of Shareholders	Charon - Prestação de Serviços de Segurança e Vigilância, S.A.
	Chairman of the Board of the General Meeting of Shareholders	Açoreana - Companhia de Seguros
	Chairman of the Board of the General Meeting of Shareholders	Optime Investments, Soc. Capital de Risco, S.A.
	Chairman of the Board of the General Meeting of Shareholders	Ferrado NaComporta, S.A.
	Non-executive member of the Board of Directors and Member of the Audit Committee	Cimpor - Cimentos de Portugal, SGPS, S.A.
	Chairman of the Board of Auditors	Vila Galé, Soc. Empreendimentos Turísticos, S.A.
	Vice-Chairman of the Executive Management	Associação Missão Crescimento
<b>António Luís Guerra Nunes Mexia</b>	Chairman of the Audit Board	Associação Por Uma Democracia de Qualidade
	Chairman of the Executive Officer (CEO)	EDP - Energias de Portugal, S.A.
	Chairman of the Board of Directors	EDP Renováveis, S.A.
	Member of the Board of Directors	EDP - Energias do Brasil, S.A.
<b>Cidália Maria Mota Lopes</b>	Chairman of the Board of Directors	Union of the Electricity Industry – Eurelectric AISBL (association)
	Professor	Fundação EDP
		Instituto Superior de Contabilidade e Administração de Coimbra (ISCAC) on tax issues
	Invited Professor at the Masters Degree in Accounting and Finance	School of Economics of the University of Coimbra
<b>Jaime de Macedo Santos Bastos</b>	Member of the Scientific Board	Portuguese Fiscal Association (AFP)
	Member	International Fiscal Association (IFA)
	Statutory Auditor	Several companies
<b>João Manuel de Matos Loureiro</b>	Managing Partner	Chartered Accountants Company Kreston & Associados, SROC, Lda.
	Professor	School of Economics of the University of Porto ("FEP") and Porto Business School
	Head of the Post Graduate Degree	Company Management of Porto Business School
	Chairman of the Representative Board	FEP
<b>José Jacinto Iglésias Soares</b>	Non-executive Director	SIBS, SGPS, S.A. and of SIBS Forward Payment Solutions, S.A.
	Member of the Remunerations Committee	Unicre - Instituição Financeira de Crédito, S.A.
	Member of the General Board	AEM-Associação de Empresas

		Emitentes de Valores Mobiliários Cotadas no Mercado (in representation of BCP)
	Alternate Member of the Plenary and of the Specialised Standing Committee	Social and Economic Policy of CES - Conselho Económico e Social
	Member of the General Board	IPCG - Instituto Português de Corporate Governance (in representation of BCP)
<b>Lingjiang Xu</b>	Manager	Fosun Management (Portugal), Lda.
	Member of the Board of Directors	Fidelidade – Companhia de Seguros, S.A.
<b>Maria da Conceição Mota Soares de Oliveira Callé Lucas</b>	Member of the Board of Directors	Banco Millennium Atlântico, S.A.
<b>Miguel de Campos Pereira de Bragança</b>	Manager	Quinta das Almoinhas Velhas-Imobiliária Lda.
	Member of the Board	Fundação da Casa de Bragança
<b>Miguel Maya Dias Pinheiro</b>	Member of the Senior Board	Alumni Clube ISCTE
	Vice-Chairman of the Board of Directors	Banco Millennium Atlântico, S.A.
<b>Raquel Rute da Costa David Vunge</b>	Member of the Board of Directors	Galp Energia, SGPS, S.A.
	Member of the Board of Directors	Banco Caixa Geral de Angola, S.A.
<b>Rui Manuel da Silva Teixeira</b>	Member of the Board of Directors	Unicre-Instituição Financeira de Crédito, S.A. (in representation of BCP)
	Member of the Remunerations Committee	SIBS, SGPS, S.A. and SIBS Forward Payment Solutions, S.A.
	Chairman of the General Meeting	Associação Porto Business School

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, n.º 32, Piso 2, 2744-256 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 11 May 2015, 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
First Vice-Chairman:	Miguel Maya Dias Pinheiro
Second Vice-Chairman:	Miguel de Campos Pereira de Bragança
Third Vice-Chairman:	João Nuno de Oliveira Jorge Palma
Members:	José Jacinto Iglésias Soares José Miguel Bensliman Schorcht da Silva Pessanha 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 of Shareholders and composed of a minimum of three and a maximum of five members.

The Audit Committee, 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 of Shareholders 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  
Cidália Maria Mota Lopes

## 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, which was also authorised in the General Meeting of Shareholders held on 11 May 2015 where the majority of the current members of the Board of Directors were elected, with the mention of the adoption of a restrictive regime of access to sensitive information.

## Statutory Auditor

The current Statutory Auditor and External Auditor of the Bank, Deloitte & Associados SROC, S.A., and alternatively Carlos Luís Oliveira de Melo Loureiro, ROC No. 572, were elected at the General Meeting of Shareholders held on 21 April 2016, for the triennial 2016/2018, by a majority of 99.1233% and 94.9982% of the votes cast, respectively.

The term of office of the Statutory Auditor and External Auditor began on 5 May 2016, after the first quarter's financial statements were presented to the Board of Directors.

The former External Auditor and Statutory Auditor of the Bank was KPMG & Associados, SROC, S.A. (SROC No. 189), member of the Portuguese Institute of Statutory Auditors (*Ordem dos Revisores Oficiais de Contas*), effectively represented by its partner Ana Cristina Soares Valente Dourado, ROC No. 1011, and alternatively by Jean-Èric Gaign, ROC No. 1013.

KPMG & Associados, SROC, S.A. resigned from office on 4 May 2016, when the first quarter's financial statements were presented to the Board of Directors, having been replaced in its functions by Deloitte & Associados SROC, S.A. on 5 May 2016.

There are no potential conflicts of interest between the duties to the Bank of the persons listed above and their private interest or duties.

## H. Recent developments on the banking regulation

### *Regulatory and capital requirements*

#### *Capital requirements*

*Basel III and CRD IV/CRR:* On 12 September 2010, the Basel Committee on Banking Supervision (“**BCBS**”) announced a new capital agreement on banking supervision known as Basel III, which revises most of the capital and liquidity minimum requirements. This agreement has more demanding requirements for capital which will gradually be introduced over a transition period to ease the impact on the international financial system. The minimum capital requirement for CET 1 capital will increase gradually from 3.5% of RWAs as of 1 January 2013 to 7.0% of RWAs in 2019, including a capital conservation buffer. The total minimum regulatory solvency ratio will increase from 8.0% to 10.5% between 2016 and 2019. Additional changes include:

- (i) an additional capital conservation ratio requirement of 2.5% over common equity, with a progressive implementation from 2016 to 2019;
- (ii) a countercyclical capital buffer, which will be between 0.0% and 2.5% of RWAs with the ability to absorb losses as a function of the credit cycle stage subject to its application by national supervisory authorities;
- (iii) a systemic risk buffer and a buffer for other systemically important institution; and
- (iv) the leverage ratio will be tested on a non-adjusted risk ratio of 3.0%.

Furthermore, the CRD IV/CRR framework contains stricter requirements regarding the quality of the capital that may be considered CET 1 capital and the calculation of RWAs.

On 1 January 2014, the adoption of CRD IV/CRR was complemented by the entering into force of the Notice 6/2013 of Banco de Portugal, which established how the transitional provisions of the CRR would apply to minimum capital requirements and the respective calculation, and pursuant to CRR, Banco de Portugal has established that banks shall permanently ensure the maintenance of a CET 1 capital ratio level of at least 7%.

In May 2014, Banco de Portugal issued a series of recommendations with respect to banks' capital plans, in order to ensure an adequate transition to the full implementation of CRD IV/CRR and prepare major Portuguese banks for the ECB's comprehensive assessment exercise of the banking system. In particular, it recommended the reinforcement and maintenance of the following minimum thresholds for the various regulatory ratios:

- Minimum CET 1 ratio of 8% for the eight major banking groups, including the Bank (7% for the other groups);
- Minimum Tier 1 ratio of 9.5% for the eight major banking groups, including the Bank (8.5% for the other groups);
- Minimum total solvency ratio of 11.5% for the eight major banking groups, including the Bank (10.5% for the other groups).

On 23 November 2014, Decree-Law No 157/2014, of 24 October 2014 (the “**Decree-Law No. 157/2014**”), entered into force, amending the Banking Law, and implementing CRD IV and CRR. Decree-Law No. 157/2014 establishes several communication obligations to the European Banking Authority by Banco de Portugal, as well as the need for consultation of its data base.

CRD IV empowers the European Banking Authority to draw up regulatory technical standards that specify some of the aspects covered by the amended diplomas. Upon the respective adoption by the EC these norms are directly applicable under Portuguese law.

Under the guidance of the Single Supervisory Mechanism (SSM), the conclusions of the supervisory review take the form of prudential requirements (Pillar 2) being set to be held in excess of the minimum capital requirements (Pillar 1). Banks are required to maintain a total capital requirement that includes CET 1 instruments and other capital instruments and are also subject to the overall capital requirement that also includes the combined own funds buffer requirement.

As at 30 September 2016, the Bank’s fully implemented CET 1 ratio was 9.5%. According to the Bank’s interpretation of CRD IV/CRR to date, CET 1 phased-in reached 12.2% as at 30 September 2016.

New upcoming recommendations by the BCBS focus on RWAs calculations, which include modifications on credit, market and operational risk categories as well as additional risks, such as the step-in risk.

- *Credit Risk*: the “Internal Based Risk Approach” proposal aims at reducing the complexity of the regulatory framework, improving comparability between banks and reducing the variability in capital requirements for credit risk, as amendments to risk parameters estimation and introduction of floors. The regulations also foresee changes on the standardised approach, but not limited to, in order to introduce some risk sensitivity to this approach, such as the loan to value (“**LTV**”) concept and the introduction of real estate classes.
- *Market risk*: a redefinition of trading and banking book portfolios and changes on the standardised approach and the “Internal Modal Method”.
- *Operational risk*: recommendations include the abolition of Advanced Measurement Approach (AMA) due to its complexity and lack of comparability and the introduction of a new Standardised Measurement Approach (SMA).

*Capital buffers*: The criteria for maintenance by credit institutions and certain investment companies of additional own funds’ buffers include:

- (i) a capital conservation buffer;
- (ii) the institution’s specific countercyclical capital buffer;
- (iii) the systemic risk buffer, also referred to as SII buffer; and
- (iv) an O-SII buffer (for other systemically important institutions at a national level).

The combined buffer requirement with which each institution is required to comply corresponds to the sum of the capital conservation buffer, the institution-specific countercyclical capital buffer, and the higher of the O-SII buffer

and the systemic risk buffer (except where the latter only applies to risk exposures in the Member State which activated the measure, in which case it is additive).

These measures have the objective of safeguarding financial stability, by strengthening the resilience of the financial sector and preventing systemic risk. The set of instruments and intermediate objectives will be revised and adjusted by the competent authorities where necessary to better safeguard financial stability. In addition, other macroprudential policy instruments may be activated if deemed necessary. Failure to comply with these buffers implies restrictions on distributions relating to CET 1 own funds as well as an obligation to submit to the competent authorities a capital conservation plan within 5 business days of the breach.

*Capital conservation buffer:* the new regulatory framework provides that the capital conservation buffer requirement, which aims to accommodate losses from a potential adverse scenario, can be gradually implemented from 1 January 2016 onwards. However, the national macroprudential authority may impose a shorter transitional period or even frontload the total buffer. The Bank has a requirement (at an individual and consolidated level) to maintain a minimum CET 1 capital buffer of 0.625% (of the total risk exposure amount) in 2016, 1.25% in 2017, 1.875% in 2018, and 2.5% from 2019 onwards, as provided in Article 23 of Decree-Law no. 157/2014.

*Countercyclical buffer:* the countercyclical capital buffer is one of the main macroprudential instruments introduced by the new regulatory framework, aiming to improve the banking system's resilience to periods of excessive credit growth. The establishment of variable capital requirements over the cycle is expected to contribute to mitigating the pro-cyclicality of banks' credit policies. The following apply to this buffer:

- (i) the rate will be set between 0% and 2.5% of the total risk exposure amount;
- (ii) the rate is calibrated in steps of 0.25 percentage points or multiples of 0.25 percentage points; and
- (iii) in exceptional cases, the rate may be set at a level above 2.5%.

The buffer rate for each institution, known as the "institution-specific countercyclical buffer rate", is a weighted average of the countercyclical buffer rates that apply in the countries where the credit exposures of that institution are located. This requirement is met with CET 1 capital. Under the SSM, the ECB can propose higher minimum capital requirements than the ones defined by the national authorities. This capital buffer will apply to all credit risk exposures, whose counterpart is the Portuguese private non-financial sector, of credit institutions and investment firms subject to the supervision of Banco de Portugal or the ECB (SSM), as applicable.

The countercyclical buffer rate for credit exposures to the domestic private non-financial sector will remain at zero per cent. of the total risk exposure amount, with effect from 2 October 2017. This decision is reviewed on a quarterly basis by Banco de Portugal.

*Systemic risk buffer:* In order to calculate the systemic risk buffer, Banco de Portugal categorises institutions as O-SII and as G-SII. Banco de Portugal can also impose a systemic risk buffer of CET 1 capital on an individual, subconsolidated or consolidated basis of at least 1% of the risk exposure to which such buffer is applicable, to prevent or reduce the long-term non-cyclic systemic or macroprudential risks that present a risk of disruption in the financial system and the Portuguese economy.

On 29 July 2016, Banco de Portugal decided to apply a two-year phase-in regime of the other O-SII buffer:

- (i) The timeline for the phase-in of the O-SII buffer is 50% as of 1 January 2018 and 100% as of 1 January 2019;
- (ii) These buffers shall consist of CET 1 capital on a consolidated basis;
- (iii) These buffers shall apply from 1 January 2018; and
- (iv) The O-SII buffer rates range from 0.25% to 1% of the total risk exposure (maximum level of 2%).

In this context, the Group was identified as an O-SII and will have to maintain a buffer of CET 1 of 0.375% of the total risk exposure applicable from 1 January 2018 and 0.750% by 1 January 2019.

### *Liquidity requirements*

Basel III recommendations also provide for the setting of short and long term liquidity ratios and funding ratios, namely the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR). The profitability of the financial assets is, generally, inversely correlated with its liquidity.

The Bank's LCR calculated in accordance with the Delegated Regulation (EU) 2015/61 of the EC, of 10 October 2014, and the NSFR, estimated in accordance with Basel III methodology, that supported the ECB's Short Term Exercise report, were 155% and 123%, respectively, as at 30 June 2017, higher than the reference value of 100% (fully implemented).

The LCR—unencumbered high quality assets against net cash outflows over a 30-day stress period—will be progressively implemented, with a progressive (10 percentage points per year) rate of application rising from 60% of the ratio in 2015 to reach 100% in 2019. The LCR requires that banks have sufficient high quality liquid assets (“**HQLA**”) in their liquidity buffer to cover the difference between the expected cash outflows and the expected capped cash inflows over a 30-day stressed period. The value of the ratio is to be no lower than 100% (the stock of HQLAs should at least equal total net cash outflows). In relation to the LCR, the EBA:

- (i) defined assets as ‘extremely high’ and of ‘high’ quality;
- (ii) put in place operational requirements for the holdings of liquid assets;
- (iii) recommended that all types of bonds issued or guaranteed by Member States’ central governments and central banks in local currency as well as those issued or guaranteed by supranational institutions should be considered transferrable extremely high quality assets;
- (iv) stated that the credit quality standards and eligibility of covered bonds, bonds, RMBS and bonds issued by local government entities should be considered highly liquid and credit quality assets; and
- (v) recommended that common equity shares should be considered high quality liquid assets.

The NSFR, which is expected to become a minimum standard by 1 January 2018, is defined as the amount of available stable funding relative to the amount of required stable funding. This ratio should be equal to at least 100% on an on-going basis. “Available stable funding” is defined as the portion of capital and liabilities expected to be reliable over the time horizon considered by the NSFR, which extends to one year. The ratio aims at ensuring that the funding of illiquid assets is made through stable sources, both in normal as well as adverse conditions. On 15 December 2015, the EBA, mandated by the CRR, established the methodologies for determining the amounts of stable funding that are required, as well as uniform definitions for the calculation of the NSFR.

### *Leverage ratio*

Under the Basel III framework the implementation of a binding 3% leverage ratio is expected to become a regulatory requirement by 1 January 2018.

The leverage ratio is calculated by dividing the Bank's Tier 1 capital by its average total consolidated assets and expressed as a percentage. The minimum requirement is expected to be set at 3%. Stricter requirements may be demanded only from G-SIIs. A G-SII could face additional requirements, although it is currently not anticipated that Portuguese banks may be classified as G-SIIs.

The Bank's leverage ratio was 6.5% phased-in and 5.7% fully implemented, as at 30 June 2017.

### ***Banking Union***

In order to harmonise the regulation and the supervision of banking activities in the EU (and especially in the Euro Zone), the EC established two new institutions, which are the key-elements of the Banking Union:

- (i) The Single Supervisory Mechanism (SSM), which assigns the role of direct banking sector supervisor to the ECB in order to ensure that the largest banks in Europe are independently supervised under common rules (operating since 4 November 2014); and
- (ii) The Single Resolution Mechanism (SRM), which is responsible for planning for the worst-case scenario, namely the failure of a bank, to ensure that the situation can be resolved in an orderly manner.

Furthermore, the underlying resolution rules were changed through the provisions of the BRRD, according to which resolutions shall mainly be financed by banks' shareholders and creditors. Where necessary, financing can also be provided, on a complementary basis, by the newly established Single Resolution Fund (SRF), which is financed by the European banking industry. The SRF is only expected to reach its target funding level in 2023. Members of the Eurozone are automatically part of the Banking Union, while other Member States may opt in.

On 24 November 2015, the EC presented a legislative proposal that aims to add another element to the Banking Union, namely the European Deposit Insurance Scheme (“**EDIS**”), which is to be built on the basis of existing national Deposit Guarantee Scheme (DGSs).

On 23 November 2016, the European Commission presented its review of prudential requirements the (“**CRD-V package**”). The CRD-V package amendments contain three groups of provisions, covering capital and liquidity requirements, aspects of proportionality, and the EU's resolution framework.

The European Parliament, the Council and the Commission agreed in October 2017 on some elements of the review of the CRD-V package, namely creation of a new category of unsecured debt in bank creditors' insolvency ranking, on the implementation of the IFRS 9 and on rules limiting large exposures to a single counterparty. Further technical talks to finalise the text will follow in order for regulation to be available by the beginning of 2018.

#### *The Single Supervisory Mechanism*

The Banking Union assigns specific tasks to the ECB concerning policies relating to the prudential supervision of credit institutions. According to the regulation, the SSM is intended to ensure that the EU policy relating to the prudential supervision of credit institutions is implemented in a coherent and effective manner, that the single rulebook for financial services is applied in the same manner to credit institutions in all Member States concerned and that those credit institutions are subject to supervision of the highest quality, unfettered by other non-prudential considerations.

The ECB directly supervises approximately 130 financial institutions, including (since 4 November 2014) the Bank, that are considered to be systemically relevant, given their dimension and importance in the banking system of each Member State. The ECB's supervision of the approximately 6,000 other financial entities is exercised in conjunction with national authorities. The “SSM Regulation” and the “SSM Framework Regulation” provide the legal basis for the operational arrangements of the SSM.

The SSM is also responsible for regularly assessing and measure the risks for each bank and consequently the capital and liquidity adequacy of credit institutions through the Supervisory Review and Evaluation Process (SREP).

- (i) The conclusions of the supervisory review can take the form of prudential requirements, which may also include qualitative measures (Pillar 2 capital requirements—P2R) and recommendations through the establishment of a Pillar 2 capital guidance – P2G which the banks should comply with.
- (ii) The prudential requirements require banks to maintain a total SREP capital requirement (“**TSCR**”) that includes CET 1 instruments and other capital instruments.
- (iii) Banks are also subject to the overall capital requirement that includes, in addition to the TSCR, additional capital buffers, namely “the combined buffer”, comprised of the countercyclical capital buffer, capital conservation buffer and systemic buffer, as described above.
- (iv) The P2G is to be made up entirely of CET 1 capital. Failure to comply with the P2G is not itself a breach of own funds requirements.

- (v) The P2G is not “Maximum Distributable Amount” (“**MDA**”) relevant. The MDA is the maximum amount a bank is allowed to pay out, for example for bonuses or dividends. A bank whose capital ratio falls below the MDA trigger point faces restrictions on the amount of distributable profits.

#### *The Single Resolution Mechanism*

The BRRD established a framework for the recovery and resolution of credit institutions and investment firms. The BRRD was implemented in Portugal through Law No. 23-A/2015, of 26 March (which amended the Banking Law). By delivering a comprehensive framework that ensures that shareholders and creditors bear the cost of bank failure, it aims at:

- (i) safeguarding the continuity of essential banking operations;
- (ii) protecting the depositors, the client’s assets and the public funds;
- (iii) risks to financial stability; and
- (iv) avoiding the unnecessary destruction of value.

Accordingly, resolution powers include, among others:

- the power to reduce, including to reduce to zero, the principal amount of or outstanding amount due in respect of eligible liabilities, of an institution under resolution;
- the power to convert eligible liabilities of an institution under resolution into ordinary shares or other instruments of ownership of that institution;
- the power to cancel debt instruments issued by an institution under resolution except for secured liabilities subject to Article 44(2) of the BRRD; and
- the power to reduce, including to reduce to zero, the nominal amount of shares or other instruments of ownership of an institution under resolution and to cancel such shares or other instruments of ownership.

The powers provided to resolution authorities in the BRRD include write down/conversion powers to ensure that capital instruments (including Additional Tier 1 and Tier 2 instruments) 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 in full or on a permanent basis, or their conversion in full into CET 1 instruments, to the extent required and up to their capacity, at the point of non-viability 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 of reducing or converting at the point of non-viability of the issuing institution, according to an order of priority of credits in normal insolvency procedures, in a way that results in:

- (i) CET 1 instruments being written down in proportion to the relevant losses; and then
- (ii) the principal amount of other capital instruments being written down and/or converted into CET 1 (Tier 1 and Tier 2 instruments).

Resolution authorities may also apply the bail-in tool to meet the resolution objectives, for any of the following purposes:

- (i) to recapitalise an institution that meets the conditions for resolution to the extent sufficient to restore its ability to comply with the conditions for authorisation and to continue to carry out the activities for which it is authorised and to sustain sufficient market confidence in the institution or entity; or
- (ii) to convert to equity or reduce the principal amount of claims or debt instruments that are transferred:
  - (a) to a bridge institution with a view to providing capital for that bridge institution; or

(b) under the sale of business tool or the asset separation tool.

When applying the bail-in tool, resolution authorities exercise the write-down and conversion powers meeting the following sequence:

1. Common Equity Tier 1;
2. Additional Tier 1 instruments;
3. Tier 2 instruments;
4. Other subordinated debt, in accordance with the normal insolvency hierarchy; and
5. Other eligible liabilities, in accordance with the normal insolvency hierarchy.

On 3 September 2016, the EC adopted the Delegated Regulation (EU) 2016/1450 of 23 May 2016, supplementing BRRD with regard to regulatory technical standards, which entered into force on 23 September 2016, specifying the criteria relating to the methodology for setting the minimum requirement for own funds and eligible liabilities under the BRRD. This directive requires that institutions meet the MREL to avoid excessive reliance on forms of funding that are excluded from bail-in or other resolution measures and prevent the risk of contagion to other institutions and “bank run” situations, since failure to meet the MREL would negatively impact the institutions’ loss absorption and recapitalisation capacity and, ultimately, the overall effectiveness of resolution.

This framework attempts to shift the burden of bailing-in banks from taxpayers to bank creditors. To that end, resolution authorities were given the power to allocate losses to shareholders and creditors (including the Noteholders) (the “bail in” tool, as per Article 43 of the BRRD), in line with the valuation of the failing business and according to the sequence provided in Article 48 of the BRRD. Shareholders and creditors must therefore absorb losses for at least 8% of their total liabilities, including own funds, before any use of the resolution fund.

When determining MREL in accordance with points (a) and (b) of Article 45(6) of BRRD and in applying the bail-in tool, the resolution authority should ensure that the institution is capable of absorbing an adequate amount of losses and that it is recapitalised by an amount sufficient to restore its CET 1 ratio to a level that is adequate under the capital requirements, while sustaining sufficient market confidence. The resolution authority should also take into account the assessments made by the competent authority on the business model, funding model, and risk profile of the institution in order to set prudential requirements.

The MREL will be calculated based on three components:

- the loss absorption amount, based on the current capital requirements, including regulatory capital requirements (8% of RWA), the combined buffer requirements, and additional pillar 2 bank-specific requirements set by the supervisor;
- the recapitalisation amount (RCA), which aims to cover the capital requirements of the failing institution post-resolution, taking into account potential divestments and other resolution actions under the preferred resolution strategy, and the need to maintain sufficient market confidence; and
- the DGS adjustment, linked to any potential involvement of a DGS to protect insured depositors.

To avoid institutions structuring their liabilities in a manner that impedes the effectiveness of the bail-in tool, the BRRD requires that institutions meet at all times a minimum requirement for own funds and eligible liabilities expressed as a percentage of the total liabilities and own funds of the institution. Resolution authorities may be able to require, on a case-by-case basis, that percentage to be wholly or partially composed of own funds or of a specific type of liabilities. Furthermore, the BRRD established a European system of financing arrangements to which each institution must contribute at least annually. The contribution of each institution shall be pro rata to the amount of its liabilities (excluding own funds) less covered deposits, with respect to the aggregate liabilities (excluding own funds) less covered deposits of all the institutions authorised in the territory of a Member State. Those contributions shall also be adjusted in proportion to the risk profile of institutions.



*MREL tentative phased-in approach:* the Single Resolution Board (the “**SRB**”) will engage with banking groups to draft a preferred resolution strategy, and an indicative MREL target will be set at consolidated level, subject to a phase in period. The phase in period, by decision of the SRB, can be extended over the initially envisaged 48 months, depending on the bank’s and markets’ underlying conditions.

In the event of a bank’s critical financial instability, the Banking Union’s framework was designed to minimise the impact of any particular bank’s financial difficulties on the financial system and on taxpayers. Under the envisaged SRM, shareholders of the institution would be the first to bear losses, before that institution’s lenders in accordance with the applicable creditor hierarchy set out under applicable legislation.

Guaranteed deposits are expected to be safeguarded and creditors should not bear losses greater than those that they would have suffered had the institution been liquidated under ordinary insolvency proceedings. As such, Banking Union and, in particular, the use of resolution tools and powers provided for by the Banking Union may disrupt the rights of shareholders and creditors. In particular, the power of the authorities to transfer the shares or all or part of the assets of an institution to a private purchaser without the consent of shareholders affects the property rights of shareholders. In addition, the power to decide which liabilities to transfer out of a failing institution based upon the objectives of ensuring the continuity of services and avoiding adverse effects on financial stability may affect the equal treatment of creditors.

On 23 November 2016, the European Commission published proposals for certain amendments to the BRRD, which include certain proposals in relation to the quality and quantity of MREL required by European banks.

The SRM and SRF are regulated by Regulation (EU) No. 806/2014 of the European Parliament and of the Council, of 15 July 2014 (the “SRM Regulation”), which also established the framework for recovery and resolution of credit institutions and the calculation method of the annual contributions for the funding of the resolution mechanism.

The main decision-making body of the SRM is the SRB which is responsible for:

- (i) the planning and resolution phases of the Banking Union’s cross-border and large banks, which are directly supervised by the ECB;
- (ii) all resolution cases that require recourse to the SRF, irrespective of the size of the bank;
- (iii) all banks in the Banking Union.

The SRM will work in close cooperation with, and will give instructions to, the national authorities of Member States, including Banco de Portugal, which is the national resolution authority in Portugal. The national authorities of participating Member States (including the Portuguese Republic) are responsible for planning and adopting resolution plans in respect of those banks for which the SRB is not directly responsible.

The SRF is financed through ex-ante contributions paid annually at individual level by all credit institutions within the Banking Union. Contributions to the SRF:

- (i) take into account the annual target level of the SRF set by the SRB as well as the size and the risk profile of institutions;
- (ii) are collected by national resolution authorities and transferred to the SRF by 30 June of every year (in accordance with Article 67(4) of the SRM Regulation and in accordance with the intergovernmental agreement on the transfer and mutualisation of contributions to the SRF (“**Intergovernmental Agreement**”);
- (iii) are calculated by the methodology as set out in the Commission Delegated Regulation (EU) 2015/63, of 21 October 2015 and the SRM Regulation; and
- (iv) are calculated on the basis of the amount of liabilities deducted from the liability elements that belong to Tier 1 and additional own funds and the deposits covered by the Deposit Guarantee Scheme and subject to

an adjustment in accordance with the risk profile of the participating institution, considering its solvability situation.

In 2015, following the establishment of the SRF, the Group made an initial EUR 31.4 million contribution. In accordance with the Intergovernmental Agreement, this amount was not transferred to the SRF but was used instead to partially cover the disbursements made by the Resolution Fund for resolution measures applied prior to the date of application of this Intergovernmental Agreement. Consequently, an equivalent amount will have to be transferred over a period of 8 years (starting in 2016) through periodic contributions to the SRF.

In accordance to Regulation (EU) No. 806/2014 of the European Parliament and of the Council, the use of the SRF shall be contingent upon the entry into force of an agreement among the participating Member States on transferring the funds raised at national level towards the SRF as well as on a progressive merger of the different funds raised at national level to be allocated to national compartments of the SRF. This Regulation is applicable from 1 January 2016. As such, the SRF does not cover ongoing situations with the Resolution Fund as at 31 December 2015.

*The Portuguese Resolution Fund:* A resolution fund, whose primary purpose has been to provide financial support for the implementation of resolution measures determined by Banco de Portugal, was created in Portugal (the “**Resolution Fund**”). The Resolution Fund foresees the participation of:

- (i) credit institutions with a head office in Portugal, including the Bank;
- (ii) branches of credit institutions in states that do not belong to the EU;
- (iii) relevant companies for the management of payment systems subject to supervision of Banco de Portugal; and
- (iv) certain types of investment companies.

Pursuant to the Banco de Portugal’s Instruction No. 21/2016, of 26 December 2016, in 2017 Portuguese banks will pay contributions to the Resolution Fund at a 0.0291% base rate, which represents an increase from the 0.02% rate applied in 2016.

Increases in the base rate in future years may reduce the Bank’s profitability. The contribution of the Bank to the Resolution Fund was EUR 6.4 million in 2015 and EUR 5.7 million in 2016. The ex-ante contributions for the Resolution Fund are calculated in the same way as the abovementioned SRF contributions are calculated.

According to Article 14(5) of Law No. 23-A/2015, of 26 March 2015, and without prejudice to the ex-ante and ex-post contributions regulated by the new regime, further ex-ante and ex-post contributions can be charged for the Resolution Fund in accordance with the regime of Decree-Law No. 24/2013, of 19 February 2013, if these contributions are intended to enable the compliance with the obligations undertaken or to be undertaken by the Resolution Fund by virtue of having financially supported resolution measures until 31 December 2014.

Decree-Law No. 31-A/2012, of 10 February 2012, which amended the Banking Law, also introduced, on terms subsequently amended by Law No 23-A/2015, of 26 March, the creation of the privileges accorded to claims associated with loans backed-up by deposits under the Deposit Guarantee Fund (the “**DGF**”), as well as credit secured by the DGF, by the Integrated Mutual Agricultural Scheme (which, in Portugal, is formed by the Central Mutual Agricultural Bank (*Caixa Central de Crédito Agrícola Mútua*) and its associated banks) or by the Resolution Fund, arising from the potential financial support that these institutions might give in the context of the implementation of resolution measures, within the limits of the applicable laws.

#### *The European Deposit Guarantee System*

On 16 April 2014, the European Parliament and the Council adopted Directive 2014/49/EU on DGS (the “**DGS Directive**”). The Directive encompasses the harmonisation of the funding mechanisms of DGS, the introduction of risk-based contributions and the harmonisation of the scope of products and depositors covered. In accordance with the DGS Directive, each credit institution should be part of a DGS recognised under this Directive, thereby

ensuring a high level of consumer protection and a level playing field between credit institutions, while also preventing regulatory arbitrage. The DGS Directive sets the harmonised coverage level at EUR 100,000 and retains the principle of a harmonised limit per depositor rather than per deposit (such limit to be applied, in principle, to each identifiable depositor, except for collective investment undertakings subject to special protection rules). Each institution's contribution to DGS will be based on the amount of covered deposits and the degree of risk incurred by the respective member. The DGS Directive was transposed into the Portuguese law by Law no. 23-A/2015, of 26 March.

According to the BRRD, and consequently the Banking Law, with the amendments of Law No. 23-A/2015, of 26 March 2015, banks 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 DGF-covered deposits.

If, after this target level is reached for the first time, the available financial resources are reduced to less than two thirds of the target level, the ex-ante contributions are set by Banco de Portugal 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 unavailability of deposits, DGS members must pay ex-post contributions not exceeding 0.5% of the DGF-covered deposits for the exercise period of the DGF. In exceptional circumstances, the DGS can request a higher amount of contribution with the approval of Banco de Portugal.

The exemption from the immediate payment of ex-ante contributions shall not exceed 30% of the total amount of contributions raised. This possibility depends on the credit institutions undertaking irrevocable payment commitments, to pay part of or the whole amount of the contribution which has not been paid in cash to the DGF, that are fully backed by collateral composed of low-risk assets unencumbered by any third-party rights and partly or wholly pledged in favour of the DGF at DGF's request.

The additional indirect costs of the deposit guarantee systems may be significant and can consist of costs associated with the provision of detailed information to clients about products, costs of compliance with specific regulations on advertising for deposits or other products similar to deposits.

## **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 2015 and 31 December 2016 and the unaudited consolidated balance sheet and income statement for the six month period ended 30 June 2016 and 30 June 2017 of the Bank. The consolidated financial statements of the Bank were prepared in accordance with IFRS, as endorsed by the European Union. 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 2015 and 31 December 2016 and the unaudited consolidated balance sheet and income statement of the Bank for the six month periods ended 30 June 2016 and 30 June 2017. The financial statements for the years ended on 31 December 2015 and 31 December 2016 have been approved by the Board of Directors of the Bank and by the General Meeting of Shareholders on 21 April 2016 and 10 May 2017, respectively.

# BANCO COMERCIAL PORTUGUÊS

## Consolidated Income Statements for the years ended 31 December, 2016 and 2015 (Audited)

(Amounts expressed in thousands of EUR)

	2016	2015 (restated)	2015 (adjustment) <sup>7</sup>	2015
Interest and similar income .....	1,909,997	2,158,966	(157,135)	2,316,101
Interest expense and similar charges.....	(679,871)	(968,367)	46,159	(1,014,526)
Net interest income.....	1,230,126	1,190,599	(110,976)	1,301,575
Dividends from equity instruments .....	7,714	9,652	(2,289)	11,941
Net fees and commissions income.....	643,834	660,255	(32,607)	692,862
Net gains / (losses) arising from trading and hedging activities .....	101,827	118,195	(55,503)	173,698
Net gains / (losses) arising from financial assets available for sale .....	138,540	421,214	(532)	421,746
Net gains from insurance activity .....	4,966	10,227	0	10,227
Other operating income/(costs).....	(104,547)	(98,158)	3,732	(101,890)
Total operating income .....	2,022,460	2,311,984	(198,175)	2,510,159
Staff costs.....	356,602	573,929	(42,141)	616,070
Other administrative costs.....	373,570	389,295	(34,538)	423,833
Amortisations .....	49,824	54,078	(12,545)	66,623
Total operating expenses .....	779,996	1,017,302	(89,224)	1,106,526
Operating net income before provisions and impairments.....	1,242,464	1,294,682	(108,951)	1,403,633
Loans impairment .....	(1,116,916)	(817,808)	15,216	(833,024)
Other financial assets impairment .....	(274,741)	(56,675)	0	(56,675)
Other assets impairment .....	(66,926)	(79,667)	0	(79,667)
Goodwill impairment .....	(51,022)	-	0	0
Other provisions.....	(88,387)	(23,735)	1,212	(24,947)
Operating net income / (loss).....	(355,528)	316,797	(92,523)	409,320
Share of profit of associates under the equity method .....	80,525	23,528	0	23,528
Gains / (losses) arising from the sale of subsidiaries and other assets.....	(6,277)	(32,006)	(1,868)	(30,138)
Net income / (loss) before income taxes .....	(281,280)	308,319	(94,391)	402,710
Income taxes				
Current .....	(113,425)	(91,355)	8,391	(99,746)
Deferred.....	495,292	53,670	10,321	43,349
Income after income taxes from continuing operations .....	100,587	270,634	(75,679)	346,313
Income arising from discontinued or discontinuing operations .....	45,228	90,327	75,679	14,648
Net income after income taxes .....	145,815	360,961	0	360,961
Net income / (loss) for the year attributable to:				
Shareholders of the Bank.....	23,938	235,344	0	235,344
Non-controlling interests.....	121,877	125,617	0	125,617
Net income for the year .....	145,815	360,961	0	360,961
Earnings per share (in Euros)				
Basic.....	0.019 <sup>8</sup>	0.232 <sup>8</sup>	n.a.	0.005

<sup>7</sup> BMA considered discontinued operation since 31 March 2016. For comparable purposes profit and loss account line items, as of 31 December 2015, were adjusted from this impact and consequently restated.

<sup>8</sup> According with the IAS 33, the average number of shares in 2016 took into consideration the capital increase by the subscription of new shares that occurred in 2017. The average number of shares in 2015 was adjusted retrospectively by both the capital increase carried out in 2017 and the reverse stock split and the increase in private subscription capital, both made in 2016.

As at 31 December 2016 and 2015 there were not considered in the calculation of diluted earnings per share, the qualifying hybrid instruments as common equity tier 1 issued in June 2012 and subscribed fully by the State (CoCos), as the conversion value of the shares to be issued is not defined in accordance with the decree 150-A / 2012 of 17 May which will be the basis for determining this effect. It should be noted that on 9

Diluted.....	<u>0.019<sup>8</sup></u>	<u>0.232<sup>8</sup></u>	<u>n.a.</u>	<u>0.005</u>
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February 2017, BCP has reimbursed the Portuguese State in advance of the remaining amount of these instruments (EUR 700 million). Further details are shown in the Notes to Consolidated Financial Statements of the 2016 Annual Report, Note 18 - Earnings per share.

# BANCO COMERCIAL PORTUGUÊS

## Interim Condensed Consolidated Income Statements for the six month period ended 30 June 2017 and 2016

(Unaudited)

(Amounts expressed in thousands of EUR)

	30 June 2017	30 June 2016
Interest and similar income .....	956,582	965,476
Interest expense and similar charges.....	(278,083)	(364,672)
Net interest income.....	678,499	600,804
Dividends from equity instruments .....	1,605	5,804
Net fees and commissions income.....	330,324	320,331
Net gains / (losses) arising from trading and hedging activities .....	58,596	74,564
Net gains / (losses) arising from financial assets available for sale financial assets .....	31,308	108,259
Net gains from insurance activity .....	2,713	2,748
Other operating income/(costs) .....	(85,869)	(86,328)
Total operating income .....	1,017,176	1,026,182
Staff costs.....	241,480	273,686
Other administrative costs .....	182,609	184,885
Depreciation .....	26,119	25,480
Operating costs .....	450,208	484,051
Operating net income before provisions and impairments .....	566,968	542,131
Loans impairment .....	(304,990)	(618,678)
Other financial assets impairment .....	(31,926)	(171,996)
Other assets impairment .....	(61,267)	(13,971)
Goodwill impairment for subsidiaries .....	(4)	(2,512)
Goodwill impairment for associated companies .....	(9,006)	-
Other provisions.....	(8,109)	(9,472)
Operating net income.....	151,666	(274,498)
Share of profit of associates under the equity method.....	35,104	37,716
Gains / (losses) from the sale of subsidiaries and other assets .....	(3,466)	(4,480)
Net (loss) / income before income tax .....	183,304	(241,262)
Income tax		
Current .....	(54,548)	(56,447)
Deferred .....	11,109	134,748
Net (loss) / income after income tax from continuing operations	139,865	(162,961)
Income arising from discontinued operations	1,250	45,227
Net income after income tax.....	141,115	(117,734)
Attributable to:		
Shareholders of the Bank.....	89,928	(197,251)
Non-controlling interests.....	51,187	79,517
Net income for the period.....	141,115	(117,734)
Earnings per share (in Euros)		
Basic.....	0.015	(0.329)
Diluted.....	0.015	(0.329)

# BANCO COMERCIAL PORTUGUÊS

## Condensed Consolidated Balance Sheet as at 31 December 2016 and 2015

(Audited)

(Amounts expressed in thousands of EUR)

	2016	2015
<b>Assets</b>		
Cash and deposits at Central Banks .....	1,573,912	1,840,317
Loans and advances to credit institutions		
Repayable on demand.....	448,225	776,413
Other loans and advances .....	1,056,701	921,648
Loans and advances to customers .....	48,017,602	51,970,159
Financial assets held for trading .....	1,048,797	1,188,805
Other financial assets held for trading at fair value through profit or loss .....	146,664	152,018
Financial assets available for sale .....	10,596,273	10,779,030
Assets with repurchase agreement .....	20,525	-
Hedging derivatives.....	57,038	73,127
Financial assets held to maturity .....	511,181	494,891
Investments in associated companies .....	598,866	315,729
Non current assets held for sale .....	2,250,159	1,765,382
Investment property .....	12,692	146,280
Other tangible assets.....	473,866	670,871
Goodwill and intangible assets.....	162,106	210,916
Current tax assets .....	17,465	43,559
Deferred tax assets .....	3,184,925	2,561,506
Other assets .....	1,087,814	974,228
Total assets .....	71,264,811	74,884,879
<b>Liabilities</b>		
Resources from credit institutions .....	9,938,395	8,591,045
Resources from customers .....	48,797,647	51,538,583
Debt securities issued .....	3,512,820	4,768,269
Financial liabilities held for trading .....	547,587	723,228
Hedging derivatives.....	383,992	541,230
Provisions .....	321,050	284,810
Subordinated debt .....	1,544,555	1,645,371
Current tax liabilities .....	35,367	22,287
Deferred tax liabilities.....	2,689	14,810
Other liabilities.....	915,528	1,074,675
Total liabilities .....	65,999,630	69,204,308
<b>Equity</b>		
Share capital.....	4,268,818	4,094,235
Share premium.....	16,471	16,471
Preference shares.....	59,910	59,910
Other capital instruments .....	2,922	2,922
Legal and statutory reserves .....	245,875	223,270
Treasury shares .....	(2,880)	(1,187)
Fair value reserves .....	(130,632)	23,250
Reserves and retained earnings .....	(102,306)	(31,046)
Net income for the period attributable to Shareholders .....	23,938	235,344
Total equity attributable to Shareholders of the Bank .....	4,382,116	4,623,169
Non-controlling interests.....	883,065	1,057,402
Total equity .....	5,265,181	5,680,571
	71,264,811	74,884,879



**BANCO COMERCIAL PORTUGUÊS**  
**Consolidated Balance Sheet as at 30 June 2017 and 2016**  
**(Unaudited)**  
**(Amounts expressed in thousands of EUR)**

	<b>30 June 2017</b>	<b>30 June 2016</b>
<b><i>Assets</i></b>		
Cash and deposits at Central Banks .....	1,650,857	2,178,315
Loans and advances to credit institutions		
Repayable on demand.....	491,497	415,547
Other loans and advances .....	895,899	1,389,207
Loans and advances to customers .....	48,065,976	49,186,077
Financial assets held for trading .....	973,978	1,234,270
Other financial assets held for trading at fair value through profit or loss .....	141,973	144,946
Financial assets available for sale .....	12,384,733	11,023,430
Assets with repurchase agreement .....	15,419	10,561
Hedging derivatives.....	113,860	115,022
Financial assets held to maturity.....	451,254	419,025
Investments in associated companies .....	596,005	558,736
Non current assets held for sale .....	2,223,967	1,906,134
Investment property .....	12,293	133,228
Other tangible assets.....	487,425	475,150
Goodwill and intangible assets.....	164,293	194,975
Current tax assets .....	7,576	36,113
Deferred tax assets .....	3,165,443	2,767,402
Other assets .....	1,181,290	879,395
Total assets .....	<u>73,023,738</u>	<u>73,067,533</u>
<b><i>Liabilities</i></b>		
Resources from credit institutions .....	9,373,181	11,228,648
Resources from customers .....	50,635,749	48,762,037
Debt securities issued .....	3,121,425	4,018,060
Financial liabilities held for trading .....	476,192	613,595
Hedging derivatives.....	289,292	484,329
Provisions .....	339,096	290,491
Subordinated debt .....	850,603	1,659,530
Current tax liabilities .....	8,912	18,151
Deferred tax liabilities.....	1,635	1,722
Other liabilities.....	981,941	977,325
Total liabilities .....	<u>66,078,026</u>	<u>68,053,888</u>
<b><i>Equity</i></b>		
Share capital.....	5,600,738	4,094,235
Share premium.....	16,471	16,471
Preference shares.....	59,910	59,910
Other capital instruments .....	2,922	2,922
Legal and statutory reserves .....	252,806	245,875
Treasury shares .....	(279)	(3,671)
Fair value reserves .....	(23,262)	(52,122)
Reserves and retained earnings .....	(51,314)	(7,725)
Net income for the period attributable to Shareholders .....	89,928	(197,251)
Total equity attributable to Shareholders of the Bank .....	<u>5,947,920</u>	<u>4,158,644</u>
Non-controlling interests.....	997,792	855,001
Total equity.....	<u>6,945,712</u>	<u>5,013,645</u>
	<u>73,023,738</u>	<u>73,067,533</u>

**BANCO COMERCIAL PORTUGUÊS**  
**Consolidated Statements of Cash Flows**  
**for the years ended 31 December 2016 and 2015**  
**(Audited)**  
**(Amounts expressed in thousands of EUR)**

	2016	2015 (restated)	2015 (adjustment) 9	2015
<b><i>Cash flows arising from operating activities</i></b>				
Interest received .....	1,770,704	2,189,498	-	2,189,498
Commissions received.....	787,068	850,019	-	850,019
Fees received from services rendered.....	63,003	79,755	-	79,755
Interest paid.....	(667,682)	(1,061,619)	-	(1,061,619)
Commissions paid .....	(89,798)	(203,186)	-	(203,186)
Recoveries on loans previously written off.....	33,867	29,726	-	29,726
Net earned insurance premiums .....	13,744	28,622	-	28,622
Claims incurred of insurance activity .....	(9,214)	(10,438)	-	(10,438)
Payments to suppliers and employees .....	(929,400)	(1,453,636)	-	(1,453,636)
Income taxes (paid) / received .....	(57,941)	(98,847)	-	(98,847)
	<u>914,351</u>	<u>349,894</u>	<u>-</u>	<u>349,894</u>
<i>Decrease / (increase) in operating assets:</i>				
Receivables from / (Loans and advances to) credit institutions .....	(106,683)	518,599	-	518,599
Deposits held with purpose of monetary control .....	59,473	(94,538)	-	(94,538)
Loans and advances to customers receivable.....	1,788,925	673,511	-	673,511
Short-term trading account securities.....	52,033	332,709	-	332,709
<i>Increase / (decrease) in operating liabilities:</i>				
Deposits from credit institutions repayable on demand ...	(28,040)	(76,622)	-	(76,622)
Deposits from credit institutions with agreed maturity date.....	1,423,509	(2,247,785)	-	(2,247,785)
Deposits from clients repayable on demand.....	2,357,657	3,750,799	-	3,750,799
Deposits from clients with agreed maturity date.....	(3,369,608)	(1,953,456)	-	(1,953,456)
	<u>3,091,617</u>	<u>1,253,111</u>	<u>-</u>	<u>1,253,111</u>
<b><i>Cash flows arising from investing activities</i></b>				
Sale of shares in subsidiaries and associated companies which results loss control <sup>9</sup> .....	(496,194)	18,551	(301,754)	320,305
Dividends received.....	47,085	46,319	-	46,319
Interest income from available for sale financial assets and held to maturity financial assets .....	212,042	325,517	-	325,517
Sale of available for sale financial assets and held to maturity financial assets.....	5,617,817	12,572,774	-	12,572,774
Acquisition of available for sale financial assets and held to maturity financial assets.....	(29,050,145)	(65,920,453)	-	(65,920,453)
Maturity of available for sale financial assets and held to maturity financial assets.....	22,239,293	52,626,182	-	52,626,182
Acquisition of tangible and intangible assets.....	(69,281)	(90,824)	-	(90,824)
Sale of tangible and intangible assets .....	15,581	38,732	-	38,732
Decrease / (increase) in other sundry assets .....	(518,526)	72,639	-	72,639
	<u>(2,002,328)</u>	<u>(310,563)</u>	<u>(301,754)</u>	<u>(8,809)</u>
<b><i>Cash flows arising from financing activities</i></b>				
Sale of shares in subsidiaries companies which does not results loss control <sup>9</sup> .....	-	301,754	301,754	-
Issuance of subordinated debt .....	6,705	657	-	657
Reimbursement of subordinated debt.....	(121,210)	(16,403)	-	(16,403)
Issuance of debt securities .....	188,936	309,586	-	309,586

<sup>9</sup> The reclassification is related to the amount received from the sale of the participation in Bank Millennium that was reclassified from cash flows arising from investing activities to cash flows arising from financing activities, since the sale did not result in a loss of control.

		2015	2015	
	2016	(restated)	(adjustment)	2015
			9	
Reimbursement of debt securities .....	(1,513,220)	(1,416,446)	-	(1,416,446)
Issuance of commercial paper and other securities.....	57,588	120,558	-	120,558
Reimbursement of commercial paper and other securities .....	(19,202)	(5,240)	-	(5,240)
Share capital increase .....	174,582	-	-	-
Dividends paid to non-controlling interests .....	(20,907)	(10,157)	-	(10,157)
Increase / (decrease) in other sundry liabilities and non-controlling interests.....	(365,046)	(72,769)	-	(72,769)
	(1,611,774)	(788,460)	301,754	(1,090,214)
Exchange differences effect on cash and equivalents.....	(72,108)	(150,948)	-	(150,948)
Net changes in cash and equivalents.....	(594,593)	3,140	-	3,140
Cash and equivalents at the beginning of the year .....	1,401,724	1,398,584	-	1,398,584
Deposits at Central Banks .....	1,215,066	-	-	-
	2,616,730	1,398,584	-	1,398,584
Cash .....	540,290	625,311	-	625,311
Deposits at Central Banks .....	1,033,622	-	-	-
Loans and advances to credit institutions repayable on demand.....	448,225	776,413	-	776,413
Cash and equivalents at the end of the year .....	2,022,137	1,401,724	-	1,401,724

**BANCO COMERCIAL PORTUGUÊS**  
**Consolidated Statements of Cash Flows**  
**for the six months period ended 30 June 2017 and 2016**  
**(Unaudited)**  
**(Amounts expressed in thousands of EUR)**

	<b>30 June 2017</b>	<b>30 June 2016</b>
<b><i>Cash flows arising from operating activities</i></b>		
Interest received .....	854,097	910,360
Commissions received .....	412,116	385,021
Fees received from services rendered .....	70,795	34,509
Interest paid .....	(284,597)	(372,880)
Commissions paid .....	(63,241)	(50,090)
Recoveries on loans previously written off .....	9,896	23,671
Net earned insurance premiums .....	10,217	7,424
Claims incurred of insurance activity .....	(5,807)	(3,991)
Payments to suppliers and employees .....	(557,250)	(609,422)
Income taxes (paid) / received .....	(60,902)	(24,065)
	<u>385,324</u>	<u>300,537</u>
<i>Decrease / (increase) in operating assets:</i>		
Receivables from / (Loans and advances to) credit institutions .....	172,921	(440,430)
Deposits held with purpose of monetary control .....	(12,493)	(450,918)
Loans and advances to customers receivable .....	(392,215)	1,139,811
Short-term trading account securities .....	(897)	(162,015)
<i>Increase / (decrease) in operating liabilities:</i>		
Deposits from credit institutions repayable on demand .....	108,800	87,011
Deposits from credit institutions with agreed maturity date .....	(670,773)	2,601,383
Deposits from clients repayable on demand .....	2,182,594	291,976
Deposits from clients with agreed maturity date .....	(256,160)	(1,366,515)
	<u>1,517,101</u>	<u>2,000,840</u>
<b><i>Cash flows arising from investing activities</i></b>		
Sale of shares in subsidiaries and associated companies which results loss control .....	-	15,758
Acquisition of investments in subsidiaries and associated .....	(787)	-
Dividends received .....	44,652	16,848
Interest income from available for sale financial assets and held to maturity financial assets .....	119,805	106,489
Sale of available for sale financial assets and held to maturity financial assets .....	3,321,020	2,433,380
Acquisition of available for sale financial assets and held to maturity financial assets .....	(18,948,029)	(16,070,345)
Maturity of available for sale financial assets and held to maturity financial assets .....	14,246,615	12,163,836
Acquisition of tangible and intangible assets .....	(38,130)	(27,194)
Sale of tangible and intangible assets .....	4,729	4,889
Decrease / (increase) in other sundry assets .....	(296,638)	54,354
	<u>(1,546,763)</u>	<u>(1,301,985)</u>
<b><i>Cash flows arising from financing activities</i></b>		
Issuance of subordinated debt .....	5,122	1,587
Reimbursement of subordinated debt .....	(702,314)	(277)
Issuance of debt securities .....	1,278,370	94,144

	<b>30 June 2017</b>	<b>30 June 2016</b>
Reimbursement of debt securities .....	(1,737,844)	(851,093)
Issuance of commercial paper and other securities.....	99,257	40,142
Reimbursement of commercial paper and other securities .....	(6,900)	(21,595)
Share capital increase .....	1,294,903	-
Dividends paid to non-controlling interests.....	(7,787)	(20,907)
Increase / (decrease) in other sundry liabilities and non-controlling interests	(141,694)	115,743
	<u>81,113</u>	<u>(642,256)</u>
Exchange differences effect on cash and equivalents.....	68,766	(79,467)
Net changes in cash and equivalents.....	<u>120,217</u>	<u>(22,868)</u>
Cash .....	<u>540,290</u>	<u>625,311</u>
Deposits at Central Banks .....	<u>1,033,622</u>	<u>1,215,006</u>
Loans and advances to credit institutions repayable on demand .....	<u>448,225</u>	<u>776,413</u>
Cash and equivalents at the beginning of the year .....	<u>2,022,137</u>	<u>2,616,730</u>
Cash .....	<u>505,563</u>	<u>469,952</u>
Deposits at Central Banks .....	<u>1,145,294</u>	<u>1,708,363</u>
Loans and advances to credit institutions repayable on demand .....	<u>491,497</u>	<u>415,547</u>
Cash and equivalents at the end of the year .....	<u><u>2,142,354</u></u>	<u><u>2,593,862</u></u>

## BANCO COMERCIAL PORTUGUÊS

### Evolution of the Solvency Ratio in the first half of 2017

CRD IV/CRR<sup>10</sup> establishes Pillar 1 capital requirements of 4.5%, 6% and 8% for CET 1, Tier 1 and Total Capital, respectively. However, under SREP<sup>11</sup>, the European Central Bank notified BCP about the need to comply with phased-in capital ratios, during 2017, of 8.15% (CET 1), 9.65% (Tier 1) and 11.65% (Total), including 2.4% of additional Pillar 2 requirements and 1.25% of capital conservation buffer.

According to the Bank's interpretation of CRD IV/CRR to date, the CET 1 ratio as at 30 June 2017 stood at 13.0% and at 11.3% phased-in and fully implemented, respectively, showing a favourable evolution compared with the 12.4% and 9.7% presented as at 31 December 2017.

The CET 1 performance, in the first semester of 2017, mainly reflects:

The capital increase operation performed in February 2017 and the full reimbursement of the remaining GSIs, which determined a CET 1 increase of EUR 677 million and a EUR 228 million increase of RWA (+166 basis points in CET 1 phased-in ratio);

Despite the progression of the phase-in, which determined reductions of CET 1 by 512 million euros, and RWA by EUR 147 million as at 1 January 2016 (-127 basis points in CET 1 phased-in ratio);

The positive net income and the favourable evolution of fair value reserves and foreign exchange reserves, as well as of RWA arising from the Group's business, also contributed to the capital ratio performance, despite the increases of both the gap of expected loss and RWA resulting from adjustments made to internal models in advance of TRIM (Targeted Review of Internal Models).

### SOLVENCY (CRD IV/CRR)

	<i>Euro million</i>	
	<i>30 Jun 17</i>	<i>30 Jun 16</i>
	<i>Phased-in</i>	
<b>Own funds</b>		
Common equity tier 1 (CET 1)	4,953	4,874
<b>Tier 1</b>	4,953	4,874
<b>Total Capital</b>	<b>5,353</b>	<b>5,257</b>
<b>Risk weighted assets</b>	<b>38,147</b>	<b>39,160</b>
Solvency ratios*		
CET 1	13.0%	12.4%
Tier 1	13.0%	12.4%
Total Capital	14.0%	13.4%
	<i>Fully implemented</i>	
CET 1	11.3%	9.7%
TIER 1	11.5%	9.7%
TOTAL	12.4%	10.5%

\* Includes the cumulative net income recorded in each period.

<sup>10</sup> Capital Requirements Directive IV / Capital Requirements Regulation (Directive 2013/36/EU and Regulation (EU) no. 575/2013)

<sup>11</sup> Supervisory Review and Evaluation Process

## 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 into 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.

#### *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 surtax of up to 3.21% may apply. 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 or the refund of the Notes by an individual resident in Portugal for tax purposes are subject to Portuguese capital gains taxation on the positive difference between such gains and gains on other securities and losses in securities. Tax applies 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 surtax of up to 3.21% may apply.

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 21% 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% in the case of entities benefiting from a tax exemption under Articles 9 and 10 of the corporate tax code that does not apply to investment income. The corporate tax rate is 21% in the case of entities not carrying on an activity of a commercial, industrial or agricultural nature.

Financial institutions, pension funds, retirement and/or education savings funds, share savings funds, venture capital funds, collective investment undertakings 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 21%, or 17% on the first EUR 15,000 in the case of 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, territory or region included in the "tax havens" list approved by Ministerial Order No. 150/2004, of 13 February 2004, as amended from time to time (hereafter "**Ministerial Order No. 150/2004**").

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).

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:

- (a) 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
- (b) 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
- (c) 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 or the refund of the Notes by an individual non-resident in Portugal for tax purposes are subject to Portuguese capital gains taxation on the positive difference between such gains and gains on



other securities and losses in securities. Tax applies at 28%. An exemption applies to non-resident individuals, unless they are resident in a country, territory or region included in Ministerial Order No. 150/2004. If the exemption does not apply, the gains will be subject to tax at 28%. 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. Accrued interest qualifies as interest for tax purposes.

Gains obtained on the disposal or the refund 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 (a) more than 25% directly or indirectly, held by Portuguese resident entities or (b) if the holder is resident in a country, territory or region subject to a clearly more favourable tax regime included in Ministerial Order No. 150/2004. Accrued interest qualifies as interest for tax purposes. If the exemption does not apply, the gains will be subject to 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.

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 the special regime approved by Decree-Law No. 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 Ministerial Order No. 150/2004.

The special regime approved by Decree-law No. 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.

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 sub-paragraph (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, 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 sub-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 or a tax information exchange agreement in force, 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 sub-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.

## **2. United Kingdom Taxation**

***The following is a summary of the Issuer's understanding of current United Kingdom law and published HM Revenue and Customs' practice relating only to the United Kingdom withholding tax treatment of payments of interest (as that term is understood for United Kingdom tax purposes) 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 that does not have a United Kingdom source may be made without deduction or withholding on account of United Kingdom income tax. If interest paid on the Notes does have a United Kingdom source, then payments may be made without deduction or withholding on account of United Kingdom income tax in any of the following circumstances.

The Issuer will be entitled to make payments of interest on the Notes without deduction of or withholding on account of United Kingdom income tax provided that:

- (i) the Issuer is and continues to be a bank within the meaning of section 991 of the Income Tax Act 2007 (“ITA 2007”);
- (ii) the interest on the Notes is and continues to be paid in the ordinary course of the Issuer’s business within the meaning of section 878 ITA 2007; and
- (iii) the Notes are not “regulatory capital securities” as described below.

Payments of interest on the Notes may be made without deduction of or withholding on account of United Kingdom income tax provided that the Notes carry a right to interest and the Notes are and continue to be listed on a "recognised stock exchange" within the meaning of section 1005 of the Income Tax Act 2007. Provided, therefore, that the Notes carry a right to interest and are and remain listed on a "recognised stock exchange", interest on the Notes will be payable without deduction of or withholding on account of United Kingdom tax.

Payments of interest on Notes may be made without deduction of or withholding on account of United Kingdom income tax if the Notes are “regulatory capital securities”. The Notes will be “regulatory capital securities” if they qualify, or have qualified, as Additional Tier 1 instruments under Article 52 or Tier 2 instruments under Article 63 of Commission Regulation (EU) No 575/2013 and form, or have formed, a component of Additional Tier 1 capital or Tier 2 capital for those purposes. This is subject to there being no arrangements the main purpose, or one of the main purposes, of which is to obtain a tax advantage (as defined in section 1139 of the Corporation Tax Act 2010) for any person as a result of the application of the Taxation of Regulatory Capital Securities Regulations 2013 in respect of the Notes.

In other cases, an amount must generally be withheld from payments of interest on the Notes that has a United Kingdom source on account of United Kingdom income tax at the basic rate (currently 20%), subject to any other available exemptions and reliefs. However, where an applicable double tax treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to a Noteholder, HMRC can issue a notice to the Issuer to pay interest to the Noteholder without deduction of tax (or for interest to be paid with tax deducted at the rate provided for in the relevant double tax treaty).

### **3. Irish Taxation**

The following is a summary of the Irish withholding tax treatment of the Notes. It is based on the laws and practice of the Revenue Commissioners of Ireland currently in force in Ireland as at the date of this Offering Circular and may be subject to change. The summary does not purport to be a comprehensive description of all of the Irish tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes. The summary does not constitute tax or legal advice and the comments below are of a general nature only and it does not discuss all aspects of Irish taxation that may be relevant to any particular holder of Notes. Prospective investors in the Notes should consult their professional advisers on the tax implications of the purchase, holding, redemption or sale of the Notes and the receipt of payments thereon under any laws applicable to them.

#### **(a) Withholding Tax**

In general, tax at the standard rate of income tax (currently 20 per cent.), is required to be withheld from payments of Irish source income. The Issuer will not be obliged to withhold Irish income tax from payments of interest on the Notes so long as such payments do not constitute Irish source income. Interest paid on the Notes should not be treated as having an Irish source unless:

- (i) The Issuer is resident in Ireland for tax purposes; or
- (ii) the Issuer has a branch or permanent establishment in Ireland, the assets or income of which is used to fund the payments on the Notes; or

- (iii) the Issuer is not resident in Ireland for tax purposes but the register for the Notes is maintained in Ireland or (if the Notes are in bearer form) the Notes are physically held in Ireland.

It is anticipated that, (A) the Issuer is not and will not be resident in Ireland for tax purposes; (B) the Issuer will not have a branch or permanent establishment in Ireland; (C) that bearer Notes will not be physically located in Ireland; and (D) the Issuer will not maintain a register of any registered Notes in Ireland.

In any event, an exemption from withholding on interest payments exists under Section 64 of the Taxes Consolidation Act 1997 of Ireland for certain interest bearing securities ("**quoted Eurobonds**") issued by a body corporate (such as the Issuer) which are quoted on a recognised stock exchange (which would include the Irish Stock Exchange).

Any interest paid on such quoted Eurobonds can be paid free of withholding tax provided:

- (I) the person by or through whom the payment is made is not in Ireland; or
- (II) the payment is made by or through a person in Ireland, and either:
  - (1) the quoted Eurobond is held in a clearing system recognised by the Irish Revenue Commissioners (Euroclear and Clearstream, Luxembourg are so recognised), or
  - (2) the person who is the beneficial owner of the quoted Eurobond and who is beneficially entitled to the interest is not resident in Ireland and has made a declaration to a relevant person (such as an Irish paying agent) in the prescribed form.

So long as the Notes are quoted on a recognised stock exchange and are held in Euroclear and/or Clearstream, Luxembourg, interest on the Notes can be paid by the Issuer and any paying agent acting on behalf of the Issuer without any withholding or deduction for or on account of Irish income tax.

(b) Taxation of Noteholders

Notwithstanding that a Noteholder may receive interest on the Notes free of withholding tax, the Noteholder may still be liable to pay Irish income or corporation tax (and, in the case of individuals, the universal social charge) on such interest if (i) such interest has an Irish source (as discussed in 'Withholding Tax' above), (ii) the Noteholder is resident or (in the case of a person other than a body corporate) ordinarily resident in Ireland for tax purposes (in which case there would also be a social insurance (PRSI) liability for an individual in receipt of interest on the Notes) or (iii) the Notes are attributed to a branch or agency in Ireland.

However, interest on the Notes will be exempt from Irish income tax if the recipient of the interest is resident in a relevant territory (a member state of the European Union (other than Ireland) or in a country with which Ireland has a comprehensive double taxation agreement) provided either (A) the Notes are quoted Eurobonds and are exempt from withholding tax as set out above (B) if the Notes are not or cease to be quoted Eurobonds exempt from withholding tax and the recipient of the interest is a company resident in a relevant territory that generally taxes foreign source interest.

Ireland operates a self-assessment system in respect of income and corporation tax and each person must assess its own liability to Irish tax.

(c) Withholding of Irish Encashment Tax

Payments on any Notes paid by a paying agent in Ireland or collected or realised by an agent in Ireland acting on behalf of the beneficial owner of Notes will be subject to Irish encashment tax at the standard rate of Irish tax (currently 20 per cent.), unless it is proved, on a claim made in the required manner to the Revenue Commissioners of Ireland, that the beneficial owner of the Notes entitled to the interest or distribution is not resident in Ireland for the purposes of Irish tax and such interest or distribution is not

deemed, under the provisions of Irish tax legislation, to be income of another person that is resident in Ireland.

#### 4. Foreign Account Tax Compliance Act

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a **"foreign financial institution"** (as defined by FATCA) may be required to withhold on certain payments it makes (**"foreign passthru payments"**) to persons that fail to meet certain certification, reporting or related requirements. The Issuer may be a foreign financial institution for these purposes. A number of jurisdictions (including Portugal) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (**"IGAs"**), which modify the way in which FATCA applies in their jurisdictions. The United States has reached a Model 1 intergovernmental agreement with Portugal, signed on 6 August 2015 and ratified by Portugal on 5 August 2016 which is already in force. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA with respect to payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on Notes, such withholding would not apply prior to 1 January 2019 and Notes issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are filed with the U.S. Federal Register generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date (including by reason of a substitution of the Issuer). However, if additional Notes as described under Condition 14 that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA.

Portugal has implemented, through Law 82-B/2014, of 31 December 2014 and Decree-Law 64/2016, of 11 October 2016, the legislation based on the reciprocal exchange of information with the United States of America on financial accounts subject to disclosure (the Financial Reporting Regime) in order to comply with Sections 1471 through 1474 of the U.S. Internal Revenue Code, commonly known as FATCA. Under such legislation the Issuer will be required to obtain information regarding certain accountholders and report such information to the Portuguese tax authorities which, in turn, would report such information to the Inland Revenue Service of the United States of America. Ministerial Order 302-A/2016, of 2 December 2016 has approved the relevant forms to use to comply with such reporting obligations.

Holders should consult their own tax advisers regarding how these rules may apply to their investment in Notes.

The Issuer is not obliged to gross up any amounts which may be withheld or deducted pursuant to FATCA.

#### 5. The proposed financial transactions tax ("**FTT**")

On 14 February 2013, the EC published a proposal (the **"Commission's Proposal"**) for a Directive for an FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the **"participating Member States"**). However, Estonia has since stated that it will not participate.

The proposed FTT has a very broad scope and could, if introduced, in its current proposed form, apply to certain dealings in Notes (including secondary market transactions) in certain circumstances. Primary market transactions referred to in Article 5(c) of Regulation (EC) 1287/2006 are expected to be exempt.

Under the Commission's Proposal 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.

However, 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. Administrative co-operation in the field of taxation**

Under EC Council Directive 2003/48/EC on the taxation of savings income in the form of interest payments (the "**Savings Directive**"), EU Member States are required to provide to the tax authorities of other EU Member States details of payments of interest (or income deemed equivalent for these purposes) paid by a person within its jurisdiction to an individual resident in that other EU Member State. In this respect it should be noted that the Savings Directive, as amended by Council Directive 2014/48/EU, of 24 March 2014, was repealed by Council Directive 2015/2360, of 10 November 2015. The aim was the adoption of a single and more comprehensive co-operation system in the field of taxation in the European Union under Council Directive 2011/16/EU, of 15 February 2011. Notwithstanding the repeal of the Savings Directive as of 1 January 2016, certain provisions will continue to apply in Portugal for a transitional period.

The new regime under Council Directive 2011/16/EU, as amended by Council Directive 2014/107/EU, of 9 December 2014, introduced the automatic exchange of information in the field of taxation concerning bank accounts and is in accordance with the Global Standard released by the Organisation for Economic Co-operation and Development in July 2014. This regime is generally broader in scope than the Savings Directive.

Under Council Directive 2014/107/EU, financial institutions are required to report to the tax authorities of their respective Member State (for the exchange of information with the state of residence) information regarding bank accounts, including depository and custodial accounts, held by individual persons residing in a different Member State or entities which are controlled by one or more individual persons residing in a different Member State, after having applied the due diligence rules foreseen in the Council Directive. The information refers not only to personal information such as name, address, state of residence, tax identification number and date and place of birth, but also to the account balance at the end of the calendar year, and (a) in case of depository accounts, the total gross amount of interest paid or credited to the account during the calendar year; or, (b) in the case of custodial accounts, the total gross amount of interest, dividends and any other income generated, as well as the proceeds from the sale or redemption of the financial assets paid or credited in the account during the calendar year to which the financial institution acted as custodian, broker, nominee, or otherwise as an agent for the account holder, among others.

Portugal has implemented Directive 2011/16/EU through Decree-Law No. 61/2013, of 10 May 2013. Also, Council Directive 2014/107/EU was implemented through Decree-Law No. 64/2016 of 11 October 2016.

## CLEARING AND SETTLEMENT

*To the best of the knowledge of the Bank (having taken all reasonable care to ensure that such is the case), the information in this section concerning Interbolsa is correct as of the date of this Offering Circular. The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of Interbolsa currently in effect. Investors wishing to use the facilities of Interbolsa are advised to confirm the continued applicability of the rules, regulations and procedures of Interbolsa. The Issuer, any agent party to the Agency Terms, the Arranger or any of the Dealers will have no 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 Interbolsa or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.*

### *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 Notes.

In relation to each issue of securities, Interbolsa's centralised system comprises, inter alia, (a) the issue account, opened by the Issuer in the centralised system and which reflects the full amount of issued securities; and (b) 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.

Notes will be attributed an International Securities Identification Number (ISIN code) through the codification system of Interbolsa. 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 Notes*

The Notes of each Series will be in book entry form and title to the 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 the Notes.

The 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 Notes. Such control accounts reflect at all times the aggregate of Notes held in the individual securities accounts opened by the holders of the 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 Notes shall be treated as the holder of the principal amount of the Notes recorded therein.

### *Payment of principal and interest in respect of Notes*

Payment of principal and interest in respect of the Notes will be (i) credited, according to the procedures and regulations of Interbolsa, by the Agent (acting on behalf of the Issuer) to the accounts used by the Interbolsa Participants for payments in respect of securities held through Interbolsa and thereafter (ii) credited by such Interbolsa Participants from the aforementioned accounts to the accounts of the owners of those Notes or through Euroclear and Clearstream, Luxembourg to the accounts with Euroclear and Clearstream, Luxembourg of the

beneficial owners of those Notes, in accordance with the rules and procedures of Interbolsa, Euroclear or Clearstream, Luxembourg, as the case may be.

*Transfer of Notes*

Notes 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 Notes. No owner of Notes will be able to transfer such 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 Issuer 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, the Issuer 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. The Issuer may also agree to issue Notes to Issue Dealers who shall enter into the Dealer Agreement with the 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 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.

### Prohibition of Sales to EEA Retail Investors

From 1 January 2018, unless the Final Terms in respect of any Notes specify "Prohibition of Sales to EEA Retail Investors" as "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 has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by the Offering Circular as completed by the Final Terms in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

- (a) the expression "**retail investor**" means a person who is one (or more) of the following:
  - (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or

- (ii) a customer within the meaning of Directive 2002/92/EC, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
  - (iii) not a qualified investor as defined in the Prospectus Directive; and
- (b) the expression an “**offer**” includes 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.

Prior to 1 January 2018, and from that date if the Final Terms in respect of any Notes specify “Prohibition of Sales to EEA Retail Investors” as “Not Applicable”, 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 Issue 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 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 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 paragraphs (b) to (d) above shall require the 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 by Directive 2010/73/EU) and, where the context so requires, includes any relevant implementing measure in the Relevant Member State.

## 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) 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 Financial Services and Markets Act 2000 (the “FSMA”)) received by it in connection with the issue of any Notes in circumstances in which Section 21(1) of the FSMA would not, if it was not an authorised person, apply to the Issuer; and
- (b) 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.

## 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 Market Commission ("*Comissão do Mercado de Valores Mobiliários*") (the "CMVM") is obtained 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 (a) 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; and (b) 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.

## France

Each of the Dealers has represented and agreed that:

- (a) Public Offer in France:

It has only made and will only make an offer of Notes to the public in France following the notification of the approval of the Offering Circular to the *Autorité des marchés financiers* ("AMF") by the Central Bank of Ireland and in the period beginning on the date of publication of the Final Terms relating to the offer of Notes and ending at the latest on the date which is 12 months after the date of the approval of the Offering Circular by Central Bank of Ireland 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:

It has not offered or sold and will not offer or sell, directly or indirectly, Notes to the public in France, and it has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, the 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 (a) providers of investment services relating to portfolio management for the account of third parties and/or (b) qualified investors (*investisseurs qualifiés*) 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.

## Republic of 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:

- (a) be 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) comply with any other applicable laws and regulations or requirement imposed by CONSOB, the Bank of Italy (including the reporting requirements, where applicable, pursuant to Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy, as amended from time to time) and/or any other Italian authority.

*Investors should also note that in connection with the subsequent distribution of the Notes (with a minimum denomination lower than €100,000 or its equivalent in another currency) in the Republic of Italy, in accordance with Article 100-bis of the Financial Services Act, where no exemption from the rules on public offerings applies under paragraphs (a) or (b) 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 Notes for any damages suffered by investors.*

## 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 Issuer nor any Dealer shall have any responsibility therefor.

Neither the Issuer nor any Dealer represent 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, 5 April 2011 and 16 October 2017 and by resolutions of the Executive Committee of the Bank dated 19 June 2012, 2 July 2013, 5 August 2014, 20 October 2015, 13 December 2016 and 10 November 2017 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.

### **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 during the period of twelve months from the date of this Offering Circular to be admitted to the Official List and to trading on the Irish Stock Exchange's regulated market. The approval of the Programme in respect of the Notes was granted on or about 17 November 2017.

### **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 the Issuer and from the specified office of the Paying Agents:

- (a) the constitutional documents (in English) of the Issuer;
- (b) 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 2015 and 31 December 2016;
- (c) 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;
- (d) the Agency Terms and the Instrument;
- (e) copy of this Offering Circular; and
- (f) 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 (a) to (c) 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 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.

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 30 June 2017. 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 2016.

### Litigation

1 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 in the 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. On 2 June 2015, the Bank was notified of the Portuguese Competition Authority's notice of illegality in connection with the administrative offence no. 2012/9, by which the Bank is accused of participating in an information exchange between banks of the system related to prices already approved and housing and consumer credit operations already granted or approved. In light of the accusations, the Bank will file a response to the note of illegality, to which may follow a judicial appeal. Note that the notification of a note of illegality does not constitute a final decision in relation to the accusations. If the Portuguese Competition Authority issues a conviction decision, the Bank may be convicted according to the terms foreseen in the law to pay a fine with a maximum limit of 10% of its annual consolidated turnover with reference to the year preceding the decision. However, judicial appeal against such decision is possible. In October 2016, the Lisbon Court of Appeals overruled an earlier decision by the Competition, Regulation and Supervision Court to suspend the Competition Authority's investigation.

On 4 July 2017, the Competition Authority notified the Bank on the decision regarding the withdrawal of the suspension concerning the access to documents deemed as confidential and of the extension of the term for the making of a decision on the illicit act for more 40 days. The Bank has already submitted its response.

2. On 20 October 2014, the Bank became aware of a class action brought against Millennium Bank by a group of borrowers represented by the Municipal Consumer Ombudsman in Olsztyn. As other Polish banks in a similar situation, Millennium Bank was in the meantime notified of such class action, which seeks to assess the institution's "illicit" enrichment from certain clauses contained in the mortgage loan agreements denominated in Swiss francs. In the referred class action, clients have questioned a set of those agreements' clauses, notably those related with the spread bid-offer between Polish zloty and Swiss francs applicable in the conversion of credits. On 28 May 2015, the Regional Court of Warsaw issued a decision rejecting the class action on the grounds that the case cannot be heard in class action proceedings. The decision of the Regional Court of Warsaw is not final. On 3 July 2015, the claimants filed an appeal against this decision and the Court of Appeal upheld the appeal by refusing the dismissal of the claim.

On 31 March 2016, the Regional Court in Warsaw issued a decision dismissing the Bank's motion for a security deposit to secure litigation costs. On 6 April 2016, the Bank filed an appeal against this decision.

On 17 February 2016, the claimant filed a submission with the Regional Court in Warsaw, extending the claim again to include 1,041 group members. Bank Millennium has not yet been notified of this submission.

On 2 August 2016 the Regional Court in Warsaw issued a decision ordering the publication of an announcement in the press concerning the commencement of action proceedings. Following the Bank's motion to repeal this decision, the Court suspended its execution, but, on 8 August 2016, it issued another decision for the case to be heard in the group action proceedings. On 31 August 2016, the Bank appealed this decision. On 16 December 2016 the Court of Appeal in Warsaw overruled decision of the Regional Court for the case to be heard in group action proceedings and referred the request for the case to be heard in group action proceedings to the Regional Court for re-examination. At a hearing on 15 March 2017 the Regional Court issued decision for the case to be heard in group action proceedings. On 18 April 2017 the Bank filed an appeal against the above decision; the date of reviewing the case by the Court of Appeal in Warsaw has not been scheduled yet. On 30 June 2017 the claimant filed a submission with the Regional Court in Warsaw, extending the claim again by a further 676 group members. The new value of the subject matter of the dispute was indicated as approx. PLN 132.7 million (EUR 31 million, including the values provided in the statement of claim and the previous submissions concerning extension of the claims dated 4 March 2015 and 17 February 2016). The submission dated 30 June 2017 extending the claim has not yet been served on the Bank's counsel.

On 3 December 2015, Bank Millennium Poland received notice of a class action lawsuit lodged by a group of 454 borrowers represented by the Municipal Consumer Ombudsman in Olsztyn pertaining to low down payment insurance used with CHF-indexed mortgage loans. The plaintiffs demand the payment of the amount of PLN 3.5 million (EUR 0.83 million) claiming for some clauses of the agreements pertaining to low down-payment insurance to be declared null and void. The Bank already contested the claim, demanding that the lawsuit be dismissed. The first hearing took place on 13 September 2016, the Court having ruled that the proceedings were admitted. On 16 February 2017, the Court of Appeal denied the appeal brought forward by the Bank and the previous sentence became definitive. On 30 March 2017 the Regional Court in Warsaw dismissed Bank's motion to oblige the plaintiff to provide security for costs of proceedings. On 10 April 2017 Bank filed a complaint to the Court of Appeal in Warsaw against the decision dismissing the motion to provide security.

3. On 28 December 2015 and 5 April 2016, Bank Millennium was notified of two cases filed by clients in the amount of PLN 150 million and of PLN 521.9 million respectively. The claimants alleged in their claims that Bank Millennium misrepresented certain contractual clauses, which determined the maturity of the credits, causing losses to the claimants. A decision by the Warsaw Regional Court is currently pending. In both cases, the Bank is requesting complete dismissal of the suit, stating disagreement with the charges raised in the claims. Favourable forecasts for the Bank, as regards dismissal of both suits, have been confirmed by a renowned law firm representing the Bank in both proceedings.

4. On 21 March 2017, a lawsuit was filed against the subsidiary Bank Millennium by a client in which the amount of PLN 200 million (EUR 47.2 million) was claimed for the payment of damages and compensation following the blocking of accounts in the context of insolvency proceedings. The process is currently at an early stage of assessment. In the Bank's opinion, the probability of the customer winning the process is marginal.



5. In October 2015, a set of companies connected to a group which has debts in default towards the Bank in the amount of approximately EUR 170 million, resulting from a financing agreement entered into in 2009 – such debts having been fully provisioned for in the Bank's accounts – brought a judicial proceeding against the Bank, after having received a notification from the Bank enforcing payment of such debts. In the judicial proceedings it is envisaged:

- (a) to deny the obligation of payment of those debts, by arguing the voidness and nullity of the respective agreement, but without the correspondent obligation of returning the amounts received;
- (b) that the Bank is also convicted to bear the amounts of approximately EUR 90 million and EUR 34 million related to other debts contracted by those entities with other banking institutions, as well as the amounts, in a total sum of approximately EUR 26 million, that the debtors would have already paid in the context of the respective financing agreements; and
- (c) to declare that the Bank is the owner of the object of the pledges associated with said financing agreements, which corresponds to approximately 340 million shares of the Bank itself, allegedly acquired at the request of, on behalf of and in the interest of the Bank.

The Bank has filed its defence and counterclaim, reinforcing the demand for payment of the debt. The claimants filed their statements of defense regarding the counterclaim filed by the Bank and the Bank replied to those statements in July 2016.

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 the Issuer or the Group.

#### **Auditors**

The current auditors of the Bank are Deloitte & Associados – Sociedade de Revisores Oficiais de Contas, S.A. ("**Deloitte**") (which is a member of the Portuguese Institute of Statutory Auditors ("*Ordem dos Revisores Oficiais de Contas*")), with registered office at Av. Eng. Duarte Pacheco, 7, 1070-100 Lisbon.

The former auditors of the Bank were, KPMG & Associados, SROC, S.A. (which is a member of the Portuguese Institute of Statutory Auditors ("*Ordem dos Revisores Oficiais de Contas*")), with registered office at Edifício Monumental, Av. Praia da Vitória 71 - A, 11º, 1069-006 Lisbon. KPMG & Associados, SROC, S.A.'s term of office ended on 4 May 2016, when the first quarter's financial statements were presented to the Board of Directors.

The consolidated financial statements of the Banco Comercial Português Group for the financial years ended on 31 December 2016 and 31 December 2015 were prepared in accordance with IFRS. The financial statements of the Banco Comercial Português Group were audited in accordance with IAS as endorsed by the European Union for the year ended 31 December 2016 by Deloitte & Associados, SROC, S.A., and for the year ended 31 December 2015 by KPMG & Associados, SROC, S.A., both of which are independent certified public accountants and members 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 2015 and 31 December 2016 has been extracted without material adjustment from the audited financial statements of the Bank for the financial years then ended.

#### **Dealers transacting with the Issuer**

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in financing, in investment banking and/or commercial banking transactions with, and may perform services for, the Issuer and its affiliates in the ordinary course of business. They have received, or may in the future receive, customary fees and commissions for these transactions. Certain of the Dealers and their affiliates may have positions, deal or make markets in the Notes issued under the Programme, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Issuer or its affiliates, investor clients, or as principal in order to

manage their exposure, their general market risk, or other trading activities. 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 or its affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer 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 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.

**REGISTERED OFFICE OF THE BANK**

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*To the Issuer as to Portuguese law*

### **Morais Leitão, Galvão Teles, Soares da Silva & Associados, Sociedade de Advogados, SP, RL**

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## **AUDITORS OF THE BANK**

*(from 5 May 2016)*

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*(up to 4 May 2016)*

### **KPMG & Associados, SROC, SA**

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