

**SUPPLEMENT DATED 18 SEPTEMBER 2019**  
**TO THE OFFERING CIRCULAR DATED 15 MAY 2019**  
**AS SUPPLEMENTED BY THE SUPPLEMENT DATED 26 AUGUST 2019**

**Banco Comercial Português, S.A.**

*(Incorporated with limited liability under the laws of Portugal)*

**EUR25,000,000,000**

**Euro Note Programme**

This supplement (the **Supplement**) to the offering circular dated 15 May 2019 which comprises a base prospectus and a supplement dated 26 August 2019 (the **Offering Circular**) constitutes a “supplement” for the purposes of Article 16 of Directive 2003/71/EC, as amended (the **Prospectus Directive**) and Article 51 of Prospectus (Directive 2003/71/EC) Regulations 2005 of Ireland (S.I. No. 324 of 2005), as amended or superseded (the **Prospectus Regulations**) and is prepared in connection with the EUR25,000,000,000 Euro Note Programme (the **Programme**) established by Banco Comercial Português, S.A. (**BCP or Issuer**). This Supplement has been approved by the Central Bank of Ireland (the **Central Bank**), as competent authority under the Prospectus Regulations. The Central Bank only approves this Supplement as meeting the requirements imposed under Irish and European Union Law pursuant to the Prospectus Regulations.

This Supplement is supplemental to, and should be read in conjunction with, the Offering Circular. Terms defined in the Offering Circular have the same meaning when used in this Supplement.

This Supplement also constitutes supplementary 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. Such supplementary listing particulars have not been approved or reviewed by the Central Bank.

The Issuer accepts responsibility for the information contained in this Supplement as described below. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information.

Investors in an existing offer of Notes (if any) who have already agreed to purchase or subscribe for Notes before this Supplement is published (if any) have the right, exercisable until 20 September 2019, which is two working days after the publication of this Supplement, to withdraw their acceptances.

## **1. PURPOSE OF THE SUPPLEMENT**

The purpose of this Supplement is to update the “*Risk Factors*” section and the “*Recent developments in 2018 and 2019*” sub-section of the Offering Circular, as set out below.

## **2. RISKS FACTORS**

**2.1** On pages 74 and 75 of the Offering Circular, in the section entitled “*Risk Factors*” and more precisely in the risk factor “*The Bank faces exposure to risks in its businesses in Europe (Poland) and Africa (Angola and Mozambique)*.”, the fourth paragraph under “*Mozambique*” shall be deleted and replaced by the following paragraphs:

“In the statements dated 16 January 2017 and 17 July 2017, the Ministry of Economy and Finance of Mozambique informed holders of bonds issued by the Republic of Mozambique, specifically "US 726,524 million, 10.5%, repayable securities in 2023" that interest due on 18 January 2017 and 18 July 2017, would not be paid. On 6 November 2018, the Ministry of Economy and Finance of the Republic of Mozambique announced that it had reached an agreement in principle on the key commercial terms of a proposed restructuring transaction relating to "Mozambique's US 726,524,000 10.5 per cent. Notes due 2023" with four members of the Global Group of Mozambique Bondholders, being funds managed or advised by Farallon Capital Europe LLP, Greylock Capital Management, LLC, Mangart Capital Advisors SA and Pharo Management LLC. The mentioned bondholders currently own or control approximately 60% of the outstanding bonds.

The Republic of Mozambique, acting through its Ministry of Economy and Finance, announced that a written resolution regarding a restructuring of the "US 726,524 million, 10.5%, repayable securities in 2023", was approved on 6 September 2019, by noteholders holding 99.50 per cent. of the aggregate outstanding principal amount (which includes the global group of Mozambique's bondholders who together hold approximately 68 per cent. of the existing notes), following the agreement in principle reached with holders of approximately 60 per cent. in aggregate principal amount of notes on 31 May 2019.

The Republic of Mozambique has published a consent solicitation memorandum dated 27 August 2019 which contains detailed information about the proposed restructuring transaction, including the terms and conditions thereof, as well as a description of the procedures for holders of the notes to participate in the consent solicitation.

The restructuring of the existing notes was performed in accordance with the agreed terms. Each noteholder that is an eligible holder and that complies with the procedures detailed in the consent solicitation memorandum would be entitled to receive for every US 1,000 of existing notes:

- a) US 1,238.77 in nominal amount of the new notes (rounded down, if necessary, to the nearest US 1,000);
- b) a consent fee of US 11.01 (rounded down to the nearest whole U.S. dollar); and
- c) subject to the finalisation of the deductible amount, an exchange payment of at least US 39.91 (rounded down to the nearest whole U.S. dollar),

The proposal was approved by way of written resolution. Pursuant to the terms of the existing notes documents, the written resolution required the approval of noteholders holding at least 75 per cent. of the aggregate outstanding principal amount of the existing notes in order to have binding effect.

The principal amount of the new notes will be up to US 900,000,000, with a maturity date of 15 September 2031. The interest rate on the new notes will be calculated on the basis of a 360-day year of twelve 30-day months and shall be payable by the Republic of Mozambique in cash at: (i) a 5.0 per cent. interest rate calculated from (but excluding) 15 July 2019 up to (and including) 15 September 2023, and (ii) a 9.0 per cent. interest rate thereafter until 15 September 2031. The Republic of Mozambique will pay interest semi-annually in arrears on 15 March and 15 September of each year, commencing 15 March 2020. The new notes will be redeemed in eight equal semi-annual instalments of US 112.50 million on 15 March and 15 September of the years 2028, 2029, 2030 and 2031.

The terms of the consent solicitation memorandum reflect the key commercial terms that were outlined in the May agreement in principle. The settlement of the restructuring is expected to occur on 30 September 2019.”

**2.2** On pages 86 to 89 of the Offering Circular, in the section entitled “Risk Factors”, the risk factor “*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.*

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The Bank's deferred tax assets ("DTAs") (on a consolidated basis) as at 31 December 2018 corresponded to EUR 2,917 million, compared to EUR 3,138 million as at 31 December 2017, 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 973 million and related employee benefits amounting to EUR 837 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 taxes 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 or as a result of reductions of the tax rates.

The recoverability of DTAs depends on the implementation of the strategy of the Bank's Board of Directors, namely the generation of estimated taxable income and its interpretation of tax legislation. Any changes in the assumptions used in estimating future profits or tax legislation may have material impacts on deferred tax assets.

The assessment of the recoverability of DTAs was carried based on the respective financial statements prepared under the budget process for 2019 and adjusted according to the strategic plan approved by the elected governing bodies, which support future taxable income, considering the macroeconomic and competitive environment.

To estimate taxable profits for the periods 2019 and following, the following main assumptions were considered:

- In the absence of specific rules regarding the tax regime for credit impairment and guarantees for taxation periods beginning on or after 1 January 2019, the tax rules considered, that were in force in 2018, similar to the one's in force in 2015, 2016, 2017 and 2018, and through Decree-Laws published at the end of each of the referred years established that the Notice of Bank of Portugal No. 3/95 should be considered for the purposes of calculating the maximum limits of impairment losses accepted for tax purposes. In applying these rules, the following assumptions were considered in general terms:

- a) non-deductible expenses related to charge in credit impairments were estimated based on the average percentage of amounts not deducted for tax purposes in the last years, compared to the amounts of impairment charges recorded in those years;
- b) impairment reversals not accepted for tax purposes were estimated based on the Reduction Plan of Non-Performing Assets 2019-2021 and also based on the average reversal percentage observed in the last years;
- c) the average percentages concerned were segregated, depending on the existence or absence of a mortgage guarantee, the eligibility for the special regime applicable to deferred tax assets and according to the classification of clients as Non Performing Exposures;
  - In the absence of a transitional regime that establishes the tax treatment to be given to the transition adjustments resulting from the adoption of IFRS 9, the general rules of the IRC Code have been applied;
  - The deductions related to impairment of financial assets were projected based on the destination (sale or settlement) and the estimated date of the respective operations;
  - The deductions related to employee benefits were projected based on their estimated payments or deduction plans, in accordance with information provided by the actuary of the pension fund.

The projections made take into consideration the Group's strategic priorities, essentially reflecting the projection of the Bank's medium-term business in Portugal in terms of results generation, and are globally consistent with the Reduction Plan of Non-Performing Assets 2019-2021, underlining:

- Improvement of the net interest income, considering interest rate curves used under the scope of the projections of net interest income in line with the market forecasts;
- Evolution of the ratio of loans and advances over the balance sheet resources from customer by approximately 100% in Portugal;
- Decrease in the cost of risk, supported by the expectation of a gradual recovery of economic activity, substantiating a stabilisation of the business risk, as well as the reduction of the non-core portfolio. In this way, the gradual convergence of the cost of credit risk (up to 2023) is estimated to be close to those currently observed in other European countries, including in the Iberian Peninsula.
- Control of the operating expenses, notwithstanding the investments planned by the Bank in the context of the expected deepening of the digitisation and expansion of its commercial activities;
- Positive net income, projecting the favourable evolution of the ROE and maintaining of the CET1 ratio fully implemented at levels appropriate to the requirements and benchmarks. From 2024 onwards, it is estimated an annual growth of the Net income before income taxes, which reflects a partial convergence to the expected level of ROE stabilised term.

The analyses made allow the conclusion of the recoverability of the total DTAs recognised as at 31 December 2018.

As at 30 June 2019, the Bank's DTAs (on a consolidated basis) corresponded to EUR 2,799 million, compared to EUR 2,938 million as at 30 June 2018 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 966 million and related employee benefits amounting to EUR 837 million.

With reference to 30 June 2019, the Bank updated the analysis of the recoverability of DTAs related to the individual activity that had been prepared with reference to 31 December 2018, considering namely the following aspects:

- (a) Application of the mentioned draft law, approved in the Portuguese Parliament on 19 July 2019. The approved draft law establishes the tax regime of credit impairment and provisions for guarantees for the tax periods beginning on or after 1 January 2019, determining the convergence between accounting and tax rules regarding the deductibility of impairment losses for credit. Until the end of 2023, the rules prevailing until 2018 will continue to be applied, unless an option of applying the new regime is exercised earlier. Regardless the previously referred option, the new

regime's application will be mandatory in the financial years of 2022 and/or 2013 in the following circumstances:

- In the financial year of 2022, if, since 1 January 2022, the Bank distributes dividends regarding that financial year or acquires own shares, without occurring a decrease of the DTAs covered by Law 61/2014's optional framework in, at least, 10% comparatively to the amount recorded on 31 December 2018;
- In the financial year of 2023, if, since 1 January 2023, the Bank distributes dividends regarding that financial year or acquires own shares, without occurring a decrease of the DTAs covered by Law 61/2014's optional framework in, at least, 20% comparatively to the amount recorded on 31 December 2018.

It was assumed that the Bank will not exercise its early application over the adaptation period of 5 years.

Meanwhile, on 4 September 2019, Law 98/2019 was published, enacting the tax regime described above.

- (b) Update of projections of Net income before income taxes resulting from decrease of the market interest rates; and
- (c) Update of tax effects following actuarial deviations recorded in the first semester of 2019.

Following the update on the analysis of the recoverability of DTAs related to the individual activity with reference to 30 June 2019, the Bank derecognised net DTAs of EUR 43,684 million, by reversing DTAS related to tax losses of EUR 108,407 million and recognizing DTAs related to credit impairment losses of EUR 64,723 million. Regarding the referred net value, EUR 33,498 million were reversed through profit and loss and the remaining EUR 10,186 million were reversed through reserves.

After these adjustments, the performed analyses allow the conclusion of total recoverability of the DTAs recognised as at 30 June 2019.

Law 61/2014, of 26 August 2014, approved an optional framework, with the possibility of subsequent waiver, according to which, upon certain events (including a) annual net losses on the separate financial statements, as well as b) liquidation as a result of voluntary dissolution, insolvency decided by the court or withdrawal of the respective authorization), the DTAs that have resulted from the non-deduction of expenses and of negative asset variations resulting from impairment losses in credits and from post-employment benefits or long-term employments, will be converted into tax credits. In the case of a), a special reserve must be created in the amount of the tax credit resulting from the terms of such Law, enhanced with an increase of 10%, which is intended exclusively to be incorporated into the share capital. The creation of such special reserve implies a creation, simultaneously, of conversion rights and of a right to demand the issue of shares by the Bank in an amount equivalent to such special reserve granted to the Portuguese Republic ("**State Rights**"), such rights being acquirable by the shareholders through payment to the Portuguese State of the same amount. The tax credits can

be offset against tax debts of the beneficiaries (or of any entity with head office in Portugal within the same group to which the special regime foreseen in the Corporate Tax Code is applicable or within the same prudential consolidation perimeter for the purpose of Regulation (EU) no. 575/2013, of the European Parliament and of the Council) 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 (as amended by Ministerial Order ("Portaria") 272/2017, of 13 September 2017), concerning the conditions and proceedings for the acquisition by shareholders of the referred conversion rights. Law 98/2019, of 4 September, established a deadline for the acquisition of the referred conversion rights by shareholders, at the end of which the Board of Directors has to issue new shares and accomplish the share capital increase through the conversion of the special reserve. Pursuant to this legislation, among other aspects, such conversion rights are subject to an acquisition right by the shareholders on the date of creation of the rights exercisable on periods to be established by the Board of Directors up to 3 years from the date of the confirmation of the tax credit (resulting from the conversion of DTAs) by the Portuguese Tax Authorities. The issuing bank has to deposit in the name of the Portuguese State the amount of the price corresponding to the exercise of the acquisition right of all the conversion rights, within three months from the date of the confirmation of the tax credit by the Portuguese Tax Authorities, 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 in due course, 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 Group's CET 1 ratio, fully implemented as at 31 December 2018, corresponds to 12.0% and already incorporates the effects of the application of the new framework which became effective on 1 January 2015.

The Bank's net result (on an individual basis) as at 31 December 2018 was EUR 59 million; there is no guarantee that the net result in the following years will be positive.

If the Bank registers a net loss as at the end of a financial year, 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 opportunity 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, as well as the performance of several operations in 2016, 2017 and 2018. In this context, the Bank considered that the thresholds provided for in Banco de Portugal Notice 3/95 for the purposes of tax deductibility of credit

impairments occurred in 2016, 2017 and 2018, including the effects of the transition in the individual accounts of the Bank from the adjusted accounting rules to the international accounting rules, as adopted by the EU, will be maintained. Regulatory Decree no. 5/2016, of 28 November, which came into force the following day, and Regulatory Decree no. 11/2017, of 28 December, which came into force the following day, and Regulatory Decree no. 13/2018, of 28 December, which came into force the following day, confirmed that assumption. In the absence of specific rules regarding the tax regime for credit impairment and guarantees for the taxation periods beginning on or after 1 January 2019, the maintenance of the tax rules in force in 2017 and 2018 was considered in the estimate of taxable profit for the period, which tax rules stipulate that Banco de Portugal Notice No. 3/95 should be considered for calculating the maximum limits of impairment losses accepted for tax purposes.

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, or the non-performance of the abovementioned operations could have an adverse impact on the Bank's capital ratio.

On 18 November 2016, the Regulatory Decree no. 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 regulatory decree provided 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 might 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 should be deducted from the balance of the tax losses mentioned above. The Bank opted to apply this transitional regime provided for in the regulatory decree in 2016.

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 applied IFRS 9 in the period beginning on 1 January 2018. Since no specific tax treatment was established regarding the transition adjustment to IFRS 9, the Bank considered the application of the Corporate Income Tax general rules. Any new transitional regime established for those purposes or different interpretation on the tax treatment of the adoption of IFRS 9 could result in a material adverse effect on the recovery of deferred taxes.”

### **3. DESCRIPTION OF BANCO COMERCIAL PORTUGUÊS, S.A.**

The sub-section “Recent developments in 2018 and 2019” on pages 179 to 182 of the Offering Circular is updated with the inclusion of the following additional paragraphs at the end of such sub-section:

“On 9 September 2019, the Bank informed that it had been notified by the Portuguese Competition Authority (“**AdC**”) of the decision to impose a fine in proceedings related to alleged restrictive competition practices regarding the sharing of sensitive commercial information between credit institutions, in the mortgage lending, consumer lending and corporate credit segments. BCP was one of the banks the AdC decided to fine in the total amount of EUR 225 million, for engaging in the exchange of sensitive commercial information. The fine imposed on BCP amounts to EUR 60 million.

The Bank also informed that throughout this process, initiated by the AdC in 2012, BCP had had the opportunity to provide the AdC with all the clarifications requested and to explain why it considered that the accusations addressed to the Bank were not adequately supported and substantiated.

It is not apparent from the AdC’s decision that the information sharing practices imputed to BCP had any negative effect on consumers. It should be noted, moreover, that the period covered by the decision includes the pre-financial crisis period of 2008, in which very competitive commercial practices between Institutions were observed, with a view to strengthening their market shares, which were subsequently and publicly recognised by analysts and the media in general as resulting in very low credit spreads. After 2008, BCP’s pricing references reflected the widespread increase in credit spreads as a result of the economic and financial crisis and the country’s financing conditions. It is also important to note that the information exchanged by the Marketing Departments corresponded, in BCP’s case, to spreads which are disclosed through the general price table and not the prices that were then applied in individual negotiations with Customers.

The Bank further informed that it has a public commitment to operate in the market in strict compliance with competition rules, with which it identifies and to which it is committed, and does not accept any behaviour aimed at distorting competition or harming consumers, or even challenging decisions of the Authorities that it considers balanced. In this decision, this is clearly not the case, as the information exchange has not resulted in any demonstrable harm to Customers, meaning, in the opinion of the Bank, that the fine is unjustified and unbalanced.

Additionally, the Bank informed that the Bank’s Executive Board, in view of the notification of the decision and bearing in mind its knowledge of this process, which it closely monitored, had decided that to proceed with the respective legal challenge of the decision in the competent courts.

On 12 September 2019, the Bank informed that, following the announcement dated 19 June 2019, the Bank’s Board of Directors and the Board of Directors of BII approved on that day the merger project of BII, a wholly-owned subsidiary of the Bank, by incorporation into the latter.”

#### **4. GENERAL**

This Supplement includes in respect of the Issuer all information contained within this Supplement.

To the extent that there is any inconsistency between (a) any statement in this Supplement or any statement incorporated by reference into the Offering Circular by this Supplement (if any) and (b) any other statement in or incorporated by reference in the Offering Circular, the statements in (a) above will prevail.

Except as disclosed in this Supplement there has been no significant new factor, material mistake or inaccuracy relating to information included in the Offering Circular which is capable of affecting the assessment of the Notes issued under the Programme since the publication of the Offering Circular.

Copies of this Supplement can be obtained from the registered offices of the Issuer and from the specified offices of the Agent.

In addition, copies of this Supplement are available for viewing at the official websites of Euronext Dublin ([www.ise.ie](http://www.ise.ie)) and the Central Bank ([www.centralbank.ie/regulation/securities-markets/prospectus/pages/approvedprospectus.aspx](http://www.centralbank.ie/regulation/securities-markets/prospectus/pages/approvedprospectus.aspx)).