

OFFERING CIRCULAR



Banco Comercial Português, S.A.

(Incorporated with limited liability under the laws of Portugal)

and

BCP Finance Bank, Ltd.

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

EUR25,000,000,000

Euro Note Programme

Arranger

UBS Investment Bank

Programme Dealers

ActivoBank

Banca IMI

Banco Santander Totta, S.A.

Barclays

BNP PARIBAS

BofA Merrill Lynch

Citigroup

Credit Suisse

Deutsche Bank

HSBC

J.P. Morgan

Millennium Investment Banking

Morgan Stanley

NatWest Markets

UBS Investment Bank

The date of this Offering Circular is 16 February 2017

This offering circular (the "**Offering Circular**") replaces and supersedes the Offering Circular dated 23 October 2015 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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

This Offering Circular has been approved by the Central Bank of Ireland (the "**Central Bank**"), as competent authority under the Prospectus Directive. The Central Bank only approves this Offering Circular as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Such approval relates only to Notes which are to be admitted to trading on the regulated market of the Irish Stock Exchange (the "**Regulated Market**") or other regulated markets for the purposes of Directive 2004/39/EC, 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 Listings Particulars and Final Terms prepared for any such issue have not been approved or reviewed by the Central Bank.

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

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**"), "B+/B" (in respect of Senior Notes with a maturity of more than one year and Senior Notes with a maturity of one year or less, respectively) and "CCC" (in respect of Subordinated Notes) by Standard & Poor's Credit Market Services Europe Limited 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" (in respect of Subordinated Notes) by DBRS Ratings Limited ("**DBRS**"). The Programme has not been rated in respect of Senior Notes and Subordinated Notes issued by BCP Finance which are not guaranteed by the Bank acting through its Macao branch. Each of Moody's, Standard & Poor's, 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, the Guarantor or any Notes may not reflect all the risks associated with an investment in those Notes*" in the "**Risk Factors**" section of this Offering Circular.

All financial information in this Offering Circular relating to the Bank for the years ended on 31 December 2014 and 31 December 2015 has been extracted without material adjustment from the audited financial statements of the Bank for the financial years then ended.

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

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

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

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

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

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

Consent given in accordance with Article 3.2 of the Prospectus Directive

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

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

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

Consent

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

Specific Consent

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

- (i) the relevant Dealer(s) or Manager(s) specified in the applicable Final Terms;
- (ii) any financial intermediaries specified in the applicable Final Terms;
- (iii) any other financial intermediary appointed after the date of the applicable Final Terms and whose name is published on the Bank's website (www.millenniumbcp.pt) 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 relevant Issuer hereby offers to grant its consent to the use of this Offering Circular (as supplemented as at the relevant time, if applicable) in connection with a Public Offer of Notes by any financial intermediary which satisfies the following conditions:
 - (i) it is authorised to make such offers under applicable legislation implementing the Markets in Financial Instruments Directive (Directive 2004/39/EC, 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./BCP Finance Bank, Ltd.] (the "**Issuer**"). In consideration of the Issuer offering to grant its consent to our use of the Offering Circular (as defined in the Final Terms) in connection with the offer of the Notes in [specify Member State(s)] during the Offer Period and subject to the other conditions to such consent, each as specified in the Offering Circular, we hereby accept the offer by the Issuer in accordance with the Authorised Offeror Terms (as specified in the Offering Circular) and confirm that we are using the Offering Circular accordingly."*

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

- (A) will, and it agrees, represents, warrants and undertakes for the benefit of the relevant Issuer, the Guarantor (as the case may be) and the relevant Dealer that it will, at all times in connection with the relevant Public Offer:
 - (I) act in accordance with, and be solely responsible for complying with, all applicable laws, rules, regulations and guidance of any applicable regulatory bodies (the "**Rules**"), from time to time including, without limitation and in each case, Rules relating to both the appropriateness or suitability of any investment in the Notes by any person and disclosure to any potential Investor;
 - (II) comply with the restrictions set out under "*Subscription and Sale and Transfer Restrictions*" in this Offering Circular which would apply as if it were a Dealer;
 - (III) ensure that any fee (and any other commissions or benefits of any kind) or rebate received or paid by that financial intermediary in relation to the offer or sale of the Notes does not violate the Rules and, to the extent required by the Rules, is fully and clearly disclosed to Investors or potential Investors;
 - (IV) hold all licences, consents, approvals and permissions required in connection with solicitation of interest in, or offers or sales of, the Notes under the Rules;
 - (V) comply with applicable anti-money laundering, anti-bribery, anti-corruption and *know your client* Rules (including, without limitation, taking appropriate steps, in compliance with such Rules, to establish and document the identity of each potential Investor prior to initial investment in

- any Notes by the Investor), and will not permit any application for Notes in circumstances where the financial intermediary has any suspicions as to the source of the application monies;
- (VI) retain Investor identification records for at least the minimum period required under applicable Rules, and shall, if so requested and to the extent permitted by the Rules, make such records available to the relevant Dealer, the Issuer and the Guarantor (as the case may be) or directly to the appropriate authorities with jurisdiction over the Issuer, the Guarantor and/or the relevant Dealer in order to enable the Issuer, the Guarantor and/or the relevant Dealer to comply with anti-money laundering, anti-bribery, anti-corruption and *know your client* Rules applying to the Issuer, the Guarantor and/or the relevant Dealer, as the case may be;
 - (VII) ensure that it does not, directly or indirectly, cause the Issuer, the Guarantor or the relevant Dealer to breach any Rule or subject the Issuer, the Guarantor or the relevant Dealer to any requirement to obtain or make any filing, authorisation or consent in any jurisdiction;
 - (VIII) immediately inform the Issuer, the Guarantor and the relevant Dealer if at any time it becomes aware or suspects that it is or may be in violation of any Rules and take all appropriate steps to remedy such violation and comply with such Rules in all respects;
 - (IX) comply with the conditions to the consent referred to under "*Common Conditions to Consent*" below and any further requirements or other Authorised Offeror Terms relevant to the Public Offer as specified in the applicable Final Terms;
 - (X) make available to each potential Investor in the Notes this Offering Circular (as supplemented as at the relevant time, if applicable), the applicable Final Terms and any applicable information booklet provided by the Issuer for such purpose, and not convey or publish any information that is not contained in or entirely consistent with this Offering Circular and the applicable Final Terms;
 - (XI) if it conveys or publishes any communication (other than this Offering Circular or any other materials provided to such financial intermediary by or on behalf of the Issuer for the purposes of the relevant Public Offer) in connection with the relevant Public Offer, it will ensure that such communication (A) is fair, clear and not misleading and complies with the Rules, (B) states that such financial intermediary has provided such communication independently of the Issuer, that such financial intermediary is solely responsible for such communication and that none of the Issuer, the Guarantor and the relevant Dealer accepts any responsibility for such communication and (C) does not, without the prior written consent of the Issuer, the Guarantor or the relevant Dealer (as applicable), use the legal or publicity names of the Issuer, the Guarantor or the relevant Dealer or any other name, brand or logo registered by an entity within its respective groups or any material over which any such entity retains a proprietary interest, except to describe the Issuer as issuer of the relevant Notes and the Guarantor as the guarantor of the relevant Notes on the basis set out in this Offering Circular;
 - (XII) ensure that no holder of Notes or potential Investor in Notes shall become an indirect or direct client of the Issuer, the Guarantor (as the case may be) or the relevant Dealer for the purposes of any applicable Rules from time to time, and to the extent that any client obligations are created by the relevant financial intermediary under any applicable Rules, then such financial intermediary shall perform any such obligations so arising;
 - (XIII) co-operate with the Issuer, the Guarantor (as the case may be) and the relevant Dealer in providing such information (including, without limitation, documents and records maintained pursuant to paragraph (VI) above) and such further assistance as is reasonably requested upon written request from the Issuer, the Guarantor 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, the Guarantor (as the case may be) or the relevant Dealer; and/or
 - (ii) in connection with any complaints received by the Issuer, the Guarantor (as the case may be) and/or the relevant Dealer relating to the Issuer, the Guarantor and/or the relevant Dealer or another Authorised Offeror including, without limitation, complaints as defined in rules published by the Central Bank and/or any other regulator of competent jurisdiction from time to time; and/or
 - (iii) which the Issuer, the Guarantor (as the case may be) or the relevant Dealer may reasonably require from time to time in relation to the Notes and/or so as to allow the Issuer, the Guarantor or the relevant Dealer fully to comply with its own legal, tax and regulatory requirements,

in each case, as soon as is reasonably practicable and, in any event, within any time frame set by any such regulator or regulatory process;
- (XIV) during the period of the initial offering of the Notes: (i) only sell the Notes at the Issue Price specified in the applicable Final Terms (unless otherwise agreed with the relevant Dealer); (ii) only sell the Notes for settlement on the Issue Date specified in the applicable Final Terms; (iii) not appoint any sub-distributors (unless otherwise agreed with the relevant Dealer); (iv) not pay any fee or remuneration or commissions or benefits to any third parties in relation to the offering or sale of the Notes (unless otherwise agreed with the relevant Dealer); and (v) comply with such other rules of conduct as may be reasonably required and specified by the relevant Dealer; and
- (XV) either (i) obtain from each potential Investor an executed application for the Notes, or (ii) keep a record of all requests 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 each of the relevant Issuer, the Guarantor (as the case may be) and the relevant Dealer (in each case on behalf of such entity and its respective directors, officers, employees, agents, affiliates and controlling persons (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, the Guarantor or the relevant Dealer. None of the Issuers, the Guarantor 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 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 financial intermediary waives any objection to the English courts on the grounds that they are an inconvenient or inappropriate forum to settle any dispute;
- (IV) to the extent allowed by law, the Issuer, the Guarantor (as the case may be) and each relevant Dealer may, in respect of any Dispute or Disputes, take (i) proceedings in any other court with jurisdiction; and (ii) concurrent proceedings in any number of jurisdictions; and
- (V) the Guarantor (as the case may be) and each relevant Dealer will, pursuant to the Contracts (Rights of Third Parties) Act 1999, be entitled to enforce those provisions of the Authorised Offeror Contract which are, or are expressed to be, for their benefit, including the agreements, representations, warranties, undertakings and indemnity given by the financial intermediary pursuant to the Authorised Offeror Terms.

The financial intermediaries referred to in paragraphs (a)(II), (a)(III) and (b) above are together the "**Authorised Offerors**" and each an "**Authorised Offeror**".

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

Common Conditions to Consent

The conditions to the Issuer's consent to the use of this Offering Circular in the context of the relevant Public Offer are (in addition to the conditions described in paragraph (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. NONE OF THE ISSUERS, THE GUARANTOR (AS THE CASE MAY BE) AND, FOR THE AVOIDANCE OF DOUBT, ANY DEALER (EXCEPT WHERE SUCH DEALER IS THE RELEVANT AUTHORISED OFFEROR) HAS ANY RESPONSIBILITY OR LIABILITY TO AN INVESTOR IN RESPECT OF THE INFORMATION DESCRIBED ABOVE.

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

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

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

- (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) 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**" 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.

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SUMMARY OF THE PROGRAMME

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

Section A – Introduction and Warnings

Element	
A.1	<p>Warning that:</p> <ul style="list-style-type: none"> • This summary should be read as an introduction to the prospectus and the applicable Final Terms; • 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; • 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 • 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.
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 "Public Offer".</p> <p><i>Issue-specific summary:</i></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], [<i>names of specific financial intermediaries listed in final terms,</i>] [and] [each financial intermediary whose name is published on the website of Banco Comercial Português, S.A. (www.millenniumbcp.pt) and identified as an Authorised Offeror in respect of the relevant Public Offer] [and any financial intermediary which is authorised to make such offers under [applicable legislation implementing the Markets in Financial Instruments Directive (Directive 2004/39/EC, as amended) and publishes on its website the following statement (with the information in square brackets being completed with the relevant information):</p>

Element	
	<p>"We, [insert legal name of financial intermediary], refer to the [insert title of relevant Notes] (the "Notes") described in the Final Terms dated [insert date] (the "Final Terms") published by [] (the "Issuer"). 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 "Authorised Offeror").</p> <p><i>Offer period:</i> The Issuer's consent referred to above is given for Public Offers of Notes during [offer period for the issue to be specified here] (the "Offer Period").</p> <p><i>Conditions to consent:</i> The conditions to the Issuer's consent [(in addition to the conditions referred to above)] are that such consent (a) is only valid during the Offer Period; (b) only extends to the use of this Offering Circular to make Public Offers of the relevant Tranche of Notes in [specify each Relevant Member State in which the particular Tranche of Notes can be offered] and (c) [specify any other conditions applicable to the Public Offer of the particular Tranche, as set out in the Final Terms].</p> <p>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.]</p>

Section B – Issuers and Guarantor

Element	Title	
B.1	Legal and commercial name of the Issuers	<p>[Banco Comercial Português, S.A. ("BCP")]</p> <p>[BCP Finance Bank, Ltd. ("BCP Finance")],</p> <p>(each an "Issuer" and together the "Issuers")</p>
B.2	Domicile/ legal form/ legislation/ country of incorporation	<p>BCP is a limited liability company incorporated and domiciled in Portugal under the Portuguese Companies Code and Decree-Law No. 298/92 of 31 December (as amended from time to time, the "Banking Law").</p> <p>BCP Finance is incorporated and domiciled in Cayman as an exempted company for an unlimited duration with limited liability under the laws of the Cayman Islands.</p>
B.4b	Trend information	<p>During the first nine months of 2016, the Portuguese banks continued to develop their activities within a particularly difficult context. The Portuguese economy continues to show moderate growth and the banks are operating within a context of very low interest rates, which exercise pressure on the financial margin. Moreover, the Portuguese Banks have a significant number of non productive assets in their balance sheets.</p> <p>The 2016 and 2017 projections for the Portuguese economy of Banco de Portugal were both downgraded to 1.3% in 2016 and 1.6% in 2017. The gross domestic</p>

Element	Title	
		<p>product ("GDP") projection for 2018 is 1.5%. It is expected that, between 2016 and 2018, the contribution provided by net exports to GDP growth will increase in importance. Certain risks may compromise the increase of GDP in Portugal. Firstly, the deceleration of global economic activities may condition the Portuguese economy's external demand; in particular, it may condition demand from relevant commercial partners such as Angola or Brazil. Brexit also contributes to the increase in the risk of an economic deceleration in Portugal. Domestic demand may also be conditioned by the need for additional budgetary measures, since Portugal did not comply with the budgetary targets in 2015, within a context where the high levels of debt of the private sector may hinder investment, notwithstanding the potentially positive effects of the accommodative monetary policy practiced by the European Central Bank ("ECB").</p> <p>On 29 April, DBRS maintained the credit rating attributed to the Portuguese Republic. The eligibility of the Portuguese public debt for the ECB's extended programme for the purchase of assets depends on this credit rating. In October 2016, DBRS maintained the Republic of Portugal's long term foreign and local currency issuer ratings at BBB (low) with a stable outlook. DBRS noted the possibility of a downgrade if there was a weakening in the political commitment to sustainable economic policies or deterioration in public debt dynamics.</p> <p>According to Banco de Portugal, the funding operations of Portuguese banks with the ECB decreased to EUR 23.5 billion in September 2016. This is consistent with the general trend in place since the second half of 2013. These figures show an improvement in the liquidity position of domestic banks, which has benefited from a resilient performance from deposits, namely from individuals (2.5% increase by the end of September 2016, compared to the same period of last year). Moreover, the deleveraging of the Portuguese financial sector continues and the total loans to individuals and non-financial corporations decreased by 2.0% and 4.9%, respectively, in September 2016, compared to same period in 2015. The loan to deposit ratio of the Portuguese banking sector stood at approximately 101% at the end of the third quarter of 2016, compared to 128% at the end of 2012 and 158% at the end of 2010.</p> <p>The credit granted by BCP continues to decrease, within a context of deleveraging of the non financial economic sectors, resulting in a lower search for credit. At the same time, deposits also continued to decrease since the Bank let go of some large institutional deposits that required high remuneration, complying with a policy for the preservation of the financial margin. As the commercial gap closes, BCP has also been reducing its funding from the ECB.</p> <p>The maintenance of very low money market interest rates contributes to the decrease in the spread on term deposits of the Portuguese banks. This trend persists in 2016, more than offsetting the lower spreads in credit. By the end of 2015, the rates of the new term deposits reached values of approximately 40 basis points. The portfolio's average rate is expected to converge to these levels over the course of the following year.</p> <p>The price effect on the financial margin is expected to continue to be positive overall, reflecting the improvement of the Client interests margin (differential between the credit global rate and the global rate at which the banks remunerate the deposits). Nevertheless, the continued reduction in the credit granted (volume effect) will probably continue to condition the financial margin.</p>

Element	Title	
		<p>The profitability of the Portuguese banks continues to be significantly conditioned by (i) reduced GDP growth, (ii) low inflation rates, (iii) interest rates at historically low levels for a time period much longer than was initially expected, (iv) credit contraction, reflecting the deleveraging process of the non financial private sector, which is slower within the current context of low interest rates, (v) recognition of significant amounts of impairments, and (vi) a limited reduction of operating costs in the whole system. The low profitability levels continue to limit the capacity to generate capital internally.</p> <p>The Bank has a relevant exposure to Poland where risks related to legal changes exist, including the plan for banks to return the cost of excessive foreign exchange spreads they charged their clients such as loans denominated in CHF and the introduction of the new banking tax in February 2016, which could have an impact on the Bank's financial condition. Furthermore, the Bank faces risks relating to the economic environment of certain African countries, namely Angola and Mozambique, whose economic activity is decelerating and who have also been facing a significant depreciation of their currency since the beginning of 2016.</p> <p>The expected improvement in core income¹ as well as the continuation of the restructuring and reduction of costs should play a positive role and contribute to the improvement of the 2016 results, although conditioned by the economic context.</p> <p>There is increasing focus on management of the stock of problematic assets and respective hedging levels. Measures should be adopted to foster the reduction of the stock of problematic assets, along 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 non performing loans. Measures should also be adopted to remove restrictions in the legal, judicial and tax systems. The share capital increases recently announced by Banco Popular Español and by Popolare may indicate an intention to anticipate the provisioning for problematic assets and increase hedging by impairment. Antonio Costa, the Prime Minister of Portugal supports a systemic solution or so called "bad bank" solution to ease the pressure brought on the Portuguese banking system from non-performing loans as well as other non productive assets, including property.</p> <p>It is not yet possible to determine the eventual impact that the resolution of Banco Espírito Santo, S.A. ("BES") may have on BCP, as an institution participating in the Resolution Fund created by Decree Law No. 31 A/2012, of 10 February. In 2015, the periodical contributions paid by the Bank to the Resolution Fund corresponded to about 20% of the total periodical contributions paid by the banking sector. The Resolution Fund owns in full Novo Banco, S.A. ("Novo Banco")'s equity, valued at EUR 4.9 billion as at 31 December (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 from the mobilisation of resources available to the Resolution Fund).</p> <p>The financial resources of the Resolution Fund may come (i) from contributions, initial and periodical, made by the participating institutions, (ii) from the proceeds of the contributions of the banking sector set forth by Law No. 55 A/2010, of 31</p>

¹ **Core income** - net interest income plus net fees and commission income.

Element	Title	
		<p>December and (iii) from the investment of resources. It may also be funded by extraordinary contributions made by participating institutions or by loans or guarantees provided by the State.</p> <p>Accordingly, the eventual impact of the Novo Banco resolution on BCP shall depend on external factors for which BCP is not responsible, including the value for which Novo Banco is sold and the type or types for hedging the eventual financial needs of the Resolution Fund. Additionally, following a clarification of Banco de Portugal, the possible contributions of the Resolution Fund from participating banks will only be recorded when they are due and payable and the contribution to the Resolution Fund should be recognised as a cost only in the year that it is due and the payment occurs. Banco de Portugal further clarified that it is not foreseeable that the Resolution Fund will propose the creation of a special contribution to finance the resolution applied to Novo Banco. According to Banco de Portugal, the possibility for a special contribution would appear, therefore, remote.</p> <p>On 20 December 2015, the Portuguese government and Banco de Portugal resolved to sell the activity of Banco Internacional do Funchal, S.A. ("BANIF") and of the main portion of its assets and liabilities to Banco Santander Totta, S.A. ("BST"), under a resolution measure. This resolution measure, according to Banco de Portugal's press release on 20 December 2015, involves state aid of around EUR 2,255 million to cover future contingencies, of which EUR 489 million will be provided by the Resolution Fund and EUR 1,766 million directly by the State.</p> <p>Directive 2014/59/EU of the European Parliament and of the Council, of 15 May 2014 ("BRRD") foresees a joint resolution regime in the EU enabling 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 must comply with a minimum requirement for own funds and eligible liabilities ("MREL"). This MREL, which became effective during 2016, involves a transition period and should have implications on the issuance of debt by banking institutions. It also implies the introduction of alterations in the liability structure through the issuance of new senior debt with some subordination structure or by strengthening the Tier 2. The issuance of AT1 instruments may only be considered since the total reimbursement of the Government Subscribed Core Tier 1 Capital Instruments ("GSIs") and will require a framework still under discussion.</p>
B.5	Description of the Group	<p>BCP is the ultimate parent company of the group (BCP and its subsidiaries together constitute the "Group").</p> <p>BCP Finance is a wholly-owned indirect subsidiary of BCP.</p>
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>BCP</p>	

Element	Title		
	The table below sets out summary information extracted from BCP's audited financial statements for each of the two years ended 31 December 2014 and 31 December 2015 and from BCP's unaudited financial statements for the nine-month period ended 30 September 2016 (including comparative data), respectively:		
	Consolidated Income Statement for the years ended at 31 December, 2015 and 2014		
		2015	2014
		(Thousands of Euros)	
	Net interest income	1,301,575	1,116,151
	Net income from banking activities	2,491,303	2,191,786
	Total operating income	2,510,159	2,211,064
	Operating net income	409,320	(254,810)
	Net (loss) / income before income tax	402,710	(173,405)
	Net (loss) / income after income tax from continuing operations	346,313	(75,730)
	Income arising from discontinued operations	14,648	(40,830)
	Net loss attributable to Shareholders of the Bank	235,344	(226,620)
	Net income for the year	360,961	(116,560)
	Consolidated Balance Sheet as at 31 December, 2015 and 2014		
		2015	2014
		(Thousands of Euros)	
	Total Assets	74,884,879	76,360,916
	Total Liabilities	69,204,308	71,374,009
	Total Equity attributable to Shareholders of the Bank	4,623,169	4,212,536
	Total Equity	5,680,571	4,986,907
	Total Liabilities and Equity	74,884,879	76,360,916
	Consolidated Income Statement for the nine-months period ended 30 September, 2016 and 2015		
		30 September 2016	30 September 2015 (Represented)
		(Thousands of Euros)	
	Net interest income	906,988	876,603
	Total operating income	1,515,521	1,854,459
	Operating net income	(319,852)	363,314
	Net (loss) / income before income tax	(263,487)	364,418
	Net (loss) / income after income tax from continuing operations	(195,274)	297,290

Element	Title		
	Income arising from discontinued operations	45,227	72,200
	Net loss attributable to Shareholders of the Bank	(251,080)	264,536
	Net income for the year period	(150,047)	369,490
Consolidated Balance Sheet as at 30 September 2016 and 2015			
		30 September 2016	30 September 2015
		(Thousands of Euros)	
	Total Assets	73,041,596	75,985,033
	Total Liabilities	68,093,234	70,248,486
	Total Equity attributable to Shareholders of the Bank	4,076,340	4,720,041
	Total Equity	4,948,362	5,736,547
	Total Liabilities and Equity	73,041,596	75,985,033
BCP Finance			
The table below sets out summary information extracted from BCP Finance's audited financial statements for each of the two years ended 31 December 2014 and 31 December 2015 and from BCP Finance's unaudited financial statements for the six-month period ended 30 June 2016 (including comparative data), respectively:			
Statements of Profit and Loss and Other Comprehensive Income for the year ended 31 December, 2015 and 2014			
		2015	2014
		(Thousands of USD)	
	Net interest expense	(506)	(3,080)
	Gains arising from trading and hedging activities	6,242	8,290
	Total operating income	5,736	5,210
	Total operating expenses	4,806	6,720
	(Loss)/profit for the year	930	(1,510)
	Other Comprehensive (loss)/Income	(27,877)	(39,736)
	Total Comprehensive Income/ (loss) for the year	(26,947)	(41,246)
Balance sheet as at 31 December, 2015 and 2014			
		2015	2014
		(Thousands of USD)	
	Assets		
	Loans and advances to credit institutions	888,464	1,249,275
	Financial assets held for trading	308	411
	Other assets	1,280	3,414

Element	Title		
	Total assets	890,052	1,253,100
	<i>Liabilities</i>		
	Deposits from credit institutions	-	31
	Debt securities issued	140,538	255,033
	Subordinated debt	162,503	178,516
	Other liabilities	326	437
	Total liabilities	303,367	434,017
	<i>Shareholder's Equity</i>	586,685	819,083
Interim Condensed Statements of Profit and Loss and Other Comprehensive Income for the six months periods ended 30 June, 2016 and 2015			
		30 June 2016	30 June 2015
		(Thousands of USD)	
	Net interest income	1,585	(1,060)
	Gains arising from trading and hedging activities	996	4,078
	Total operating income	2,581	3,018
	Total operating expenses	(889)	2,965
	(Loss)/profit for the year	1,692	53
	Other Comprehensive Income/(loss)	365	(20,357)
	Total Comprehensive Income/ (loss) for the year	2,057	(20,304)
Interim Condensed Statements of Financial Position			
		30 June 2016	30 June 2015
		(Thousands of USD)	
	<i>Assets</i>		
	Loans and advances to credit institutions	904,748	1,145,918
	Financial assets held for trading	192	540
	Other assets	1,655	1,287
	Total assets	906,595	1,147,745
	<i>Liabilities</i>		
	Deposits from credit institutions	-	79
	Debt securities issued	143,500	175,691
	Other liabilities	174,353	173,196
	Total liabilities	317,853	348,966
	<i>Shareholder's Equity</i>	588,742	798,779

Element	Title	
		<p><i>Statements of no significant or material adverse change</i></p> <p>Except for the share capital increase 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 shares without nominal value (the "Rights Offering"), there has been no significant change in the financial or trading position of the Group since 30 September 2016. 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 2015.</p> <p>There has been no significant change in the financial or trading position of BCP Finance since 30 June 2016. There has been no material adverse change in the prospects of BCP Finance since the date of the last audited accounts, 31 December 2015.</p>
B.13	Events impacting the Issuers' solvency	<p>Except for the Rights Offering, there are no recent events particular to BCP which are to a material extent relevant to the evaluation of its solvency.</p> <p>There are no recent events particular to BCP Finance which are to a material extent relevant to the evaluation of its solvency.</p>
B.14	Dependence upon other group entities	<p>BCP is, directly or indirectly, the ultimate holding company of all the companies in the Group and is not dependent upon other entities within the Group. However, being the ultimate holding company of the Group the activities developed by the other members of the Group have an impact on BCP.</p> <p>BCP Finance is an (indirect) wholly-owned subsidiary of BCP.</p> <p>Please also refer to Element B.5.</p>
B.15	Principal activities	<p>The Group is engaged in a wide variety of banking and related financial services activities, including investment banking, asset management and insurance, in Portugal and internationally.</p> <p>BCP's operations are primarily in retail banking, but it also offers a complete range of additional financial services.</p> <p>BCP Finance acts as an overseas finance vehicle of BCP and of the Group, issuing Notes pursuant to the Programme. As such it raises funds to BCP by way of intra-group loans.</p>
B.16	Controlling shareholders	<p>BCP is not aware of any shareholder or group of connected shareholders who directly or indirectly control the BCP.</p> <p>BCP Finance is a wholly owned indirect subsidiary of BCP.</p>
B.17	Credit ratings	<p>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., "B+/B" (in respect of Senior Notes with a maturity of more than one year and Senior Notes with a maturity of one year or less, respectively) and "CCC" (in respect of Subordinated Notes) by Standard & Poor's Credit Market Services Europe Limited 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" (in respect of Subordinated</p>

Element	Title	
		<p>Notes) by DBRS Ratings Limited.</p> <p>The Programme has not been rated in respect of Senior Notes and Subordinated Notes issued by BCP Finance which are not guaranteed by the Guarantor.</p> <p>Notes issued under the Programme may be rated or unrated by either of the rating agencies referred to above. Where a Tranche of Notes is rated, such rating will not necessarily be the same as the rating assigned to the Programme by the relevant rating agency.</p> <p>Issue-specific summary:</p> <p>[The Notes [have been/are expected to be] rated [<i>specify rating(s) of Tranche being issued</i>] by [<i>specify rating agent(s)</i>].</p> <p>A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.]</p> <p>[Not Applicable - No specific ratings have been assigned to the debt securities at the request of or with the co-operation of the Issuer in the rating process.]</p>
B.18	Description of the Guarantee	<p>The Notes issued by BCP Finance may be unconditionally and irrevocably guaranteed or unguaranteed by BCP acting through its Macao branch (in its capacity as guarantor, the "Guarantor"), as specified in the applicable Final Terms. Macao branch acting as Guarantor does not affect the fact that BCP is a Portuguese entity and that investors' rights are against BCP only.</p> <p>The Guarantee may be issued on either a senior basis ("Senior Guarantee") in the case of a Guarantee relating to Senior Notes or a subordinated basis ("Subordinated Guarantee") in the case of Subordinated Notes.</p> <p>The obligations of the Guarantor under its Senior Guarantee constitute direct, unconditional, unsubordinated and (subject to the provisions of negative pledge below) unsecured obligations of the Guarantor and will rank <i>pari passu</i> with all present and future unsecured and unsubordinated obligations of the Guarantor, save for those that have been accorded by law preferential rights.</p> <p>The obligations of the Guarantor under its Subordinated Guarantee constitute direct, unconditional and unsecured obligations of the Guarantor, and in the event of the winding-up of the Guarantor, (to the extent permitted by Portuguese law) will be subordinated in right of payment to the claims of all secured and/or unsubordinated creditors of the Guarantor.</p>
B.19	Information about the Guarantor	<p>Banco Comercial Português, S.A. acting through its Macao branch.</p> <p>Information relating to Banco Comercial Português, S.A. is set out in this Section B.</p>

Section C – Securities

Element	Title	
C.1	Description of Notes/ISIN	<p>The Notes to be issued under the Programme may be in bearer or book entry form.</p> <p>The Notes to be issued under the Programme may be Fixed Rate Notes, Floating Rate Notes, Zero Coupon Notes or a combination of the foregoing.</p>

Element	Title	
		<p><i>Issue-specific summary:</i></p> <p>The Notes are [£/€/U.S.\$/other] [] [[]% Fixed Rate/Floating 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><i>Issue-specific summary:</i></p> <p>The currency of this Series of Notes is [Sterling/Euro/U.S. dollars/Japanese yen/Swiss francs/Australian dollars/Canadian dollars/other].</p>
C.5	Restrictions on transferability	Not Applicable - There are no restrictions on the free transferability of the Notes.
C.8	Rights attached to the Notes, including ranking and limitations on those rights	<p>Notes issued under the Programme will have terms and conditions relating to, among other matters:</p> <p><i>Status and Subordination</i></p> <p>Notes may be issued on either a senior or a subordinated basis, the Senior Notes and the Subordinated Notes, respectively.</p> <p>Senior Notes constitute direct, unconditional, unsubordinated and (subject to the provisions of negative pledge below) unsecured obligations of the Issuer and will rank <i>pari passu</i> among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured and unsubordinated obligations of the Issuer, from time to time outstanding.</p> <p>Payments in respect of any Subordinated Notes constitute direct, unconditional and unsecured obligations of the Issuer, and in the event of the winding-up of the Issuer, will be subordinated in right of payment to the claims of all secured and/or unsubordinated creditors of the Issuer (if the Issuer is BCP Finance, in accordance with the provisions of the Trust Deed; if the Issuer is BCP, to the extent permitted by Portuguese law).</p> <p><i>Issue-specific summary:</i></p> <p>This Series of Notes is issued on a [senior/subordinated] basis.</p> <p><i>Taxation</i></p> <p>All payments in respect of the Notes will be made without deduction for or on account of any withholding taxes imposed by the Cayman Islands (in the case of payments by BCP Finance) or Portugal (in the case of payments by BCP) unless such deduction or withholding is required by law. In the event that any such deduction is made, the Issuer or, as the case may be, the Guarantor will, save in certain limited circumstances, be required to pay additional amounts to cover the amounts so deducted.</p> <p>Currently, payments of interest and other revenues to be made by BCP directly to non-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</p>

Element	Title	
		<p>purposes or, when applicable, to reduced withholding tax rates under the tax treaties entered into by Portugal. The 35% rate also applies to payments of interest and other investment income to entities that are domiciled in a country included in the Portuguese "tax havens" list. Euroclear and Clearstream, Luxembourg do not offer any tax relief services to holders of Notes (other than Book Entry Notes) issued by BCP. Payments of interest or other revenues to be made by BCP thereunder will be subject to Portuguese taxation rules.</p> <p>All payments in respect of the Notes will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "Code") 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><i>Negative pledge</i></p> <p>The terms of the Senior Notes will contain a negative pledge provision to the effect that, so long as any of the Senior Notes remains outstanding, neither the Issuer nor the Guarantor (as the case may be) shall create or permit to be outstanding any mortgage, charge, lien, pledge or other similar encumbrance or security interest (subject to certain exceptions with respect to assets that belonged to a third company and were acquired pursuant to an amalgamation or merger, securitisations, asset-backed financing or like arrangements, and mortgage-backed bonds or covered bonds) upon the whole or any part of its undertaking or assets, present or future, to secure any Indebtedness or to secure any guarantee or indemnity given in respect of any Indebtedness, without at the same time or prior thereto securing the Notes equally and rateably therewith or providing other security for the Notes.</p> <p>"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 which with the consent of the Issuer or the Guarantor, as the case may be, are, or are intended to be, listed or traded on any stock exchange or other organised market for securities other than a borrowing which is entirely or substantially placed in Portugal.</p> <p>The terms of the Subordinated Notes will not contain a negative pledge provision.</p> <p><i>Events of default</i></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"> (a) default in payment of any principal or interest due in respect of the Notes, continuing for a specified period of time; (b) non-performance or non-observance by the Issuer or the Guarantor (as the case may be) of any of their respective other obligations (i.e. under the conditions of the Notes and the Guarantee), in certain cases continuing for a specified period of time; (c) acceleration by reason of default of the repayment of any indebtedness or

Element	Title	
		<p>default in any payment of any indebtedness or in the honouring of any guarantee or indemnity in respect of any indebtedness by the Issuer or BCP (as the case may be), in any case so long as any such indebtedness exceeds the specified threshold;</p> <p>(d) events relating to the winding-up or dissolution of the Issuer or the Guarantor (as the case may be); and</p> <p>(e) the Guarantee ceases to be in full force and effect (where applicable).</p> <p><i>Subordinated Notes</i></p> <p>The terms of the Subordinated Notes will contain the following events of default:</p> <p>(a) default in payment of any principal or interest due in respect of the Notes, continuing for a specified period of time; and</p> <p>(b) events relating to the winding-up or dissolution of the Issuer or the Guarantor (as the case may be).</p> <p>Meetings</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>Governing law</p> <p>English law, except that in relation to Subordinated Notes and, with respect to Book Entry Notes, the form and transfer of Notes, the creation of security over Notes and the Interbolsa procedures for the exercise of rights under Notes will be governed by Portuguese law.</p>
C.9	Interest/ Redemption/ Representative of holders	<p>Interest</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>Issue-specific summary:</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 [specify reference rate for Notes being issued] [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>

Element	Title	
		<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>Redemption</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>Issue-specific summary:</p> <p>Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on [] at []% of their nominal amount.</p> <p>The Notes may be redeemed early for tax reasons or following an Event of Default [or [at the option of the Issuer [[and/or] at the option of the investor] [or [<i>specify any other early redemption option applicable to the Notes being issued</i>]] at [<i>specify the early/ optional redemption price</i>]]. [The Notes may also be redeemed before the maturity date at the option of the Issuer at []% of the nominal amount of the Notes / []] upon the occurrence of a tax deductibility or capital disqualification event as set out in the applicable Final Terms.]</p> <p>Trustee</p> <p>The Issuers has appointed The Law Debenture Trust Corporation p.l.c. (the "Trustee") to act as trustee for the Notes. The Trustee may, without the consent of any holders and without regard to the interests of particular holders, agree to (i) any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes or (ii) determine without the consent of any holders that an event of default or potential event of default shall not be treated as such or (iii) the substitution of another company as principal debtor under the Notes in place of the relevant Issuer, subject to fulfilment of certain conditions.</p> <p>Please also refer to Element C.8.</p>
C.10	Derivative component in the interest payments	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	<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>Issue-specific summary:</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</p>

Element	Title	
	currencies)	any market.]
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>Issue-specific summary:</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 and the Guarantor	<p>In purchasing Notes, investors assume the risk that the Issuer and the Guarantor (as the case may be) may become insolvent or otherwise be unable to make all payments due in respect of the Notes. There is a wide range of factors which individually or together could result in the Issuer and the Guarantor becoming unable to make all payments due in respect of the Notes. It is not possible to identify all such factors or to determine which factors are most likely to occur, as the Issuer and the Guarantor may not be aware of all relevant factors and certain factors which they currently deem not to be material may become material as a result of the occurrence of events outside the Issuer's and the Guarantor's control. The Issuer and the Guarantor have identified a number of factors which could materially adversely affect their businesses and ability to make payments due under the Notes. The paragraphs below include a list of some of such identified risks. The order according to which the risks are presented herein is not an indication of their relevance or occurrence probability. Investors must carefully read the information contained in the Offering Circular or included therein by reference and reach their own conclusions before taking any investment decision.</p> <p>Risks relating to BCP:</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 signs of recovery are still not enough to ensure a sustainable growth trend; 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</p>

Element	Title	
		<p>polymaking, 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, which include, 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, and relevant uncertainties remain regarding the definition and implementation of the European Deposit Insurance Scheme; 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 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, which include, 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 in its Strategic Plan</p>

Element	Title	
		<p>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 eventual incorporation of a "bad bank" in Portugal may result in additional capital needs for the Bank; xx) The results of additional stress tests could result in a need to increase capital or a loss of public confidence in the Group; xxi) 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; xxii) 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; xxiii) 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; xxiv) The Bank is exposed to reputational risks, including those arising from rumours that affect its image and customer relations; xxv) The Bank may have difficulty in hiring and retaining board members and qualified personnel; xxvi) 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; xxvii) Labour disputes or other industrial actions could disrupt Bank operations or make them more costly to run; xxviii) The Bank is exposed to market risk, which could result in the devaluation of investment holdings</p>

Element	Title	
		<p>or affect its trading results; xxix) 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; xxx) 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; xxxi) 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; xxxii) The Bank is subject to the risk of changes in the relationship with its partners; xxxiii) Transactions in the Bank's own portfolio involve risks; xxxiv) Hedging operations carried out by the Bank may not be adequate to prevent losses; xxxv) The Bank faces exchange rate risk related to its international operations; xxxvi) 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; xxxvii) The Non-Core Business Portfolio may generate additional impairment requirements; xxxviii) The Bank may not be able to generate income to recover deferred taxes. Potential dilution of the shareholders' position may result from the potential conversion into capital of the special reserve foreseen by the law, in particular in the case of negative net individual results. Changes in the law or a different interpretation (or if the operations foreseen by the Bank do not take place) may have an adverse impact on the capital ratio; and xxxix) 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> <p><i>Risks relating to BCP Finance:</i></p> <p>BCP Finance is an overseas finance vehicle of BCP and of the Group. As such it raises funds to BCP by way of intra-group loans. In the event that BCP fails to make a payment under an intra-group loan, BCP Finance may not be able to meet its payment obligations under the issued Notes. Investors should furthermore note that not all Notes issued by BCP Finance will be guaranteed by BCP.</p>
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	
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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><i>[Issue-specific summary:</i></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>														
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><i>Issue-specific summary:</i></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/[]]
[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/[]]															
		<p>Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised:</p> <p>[Not Applicable/[]]</p>														

Element	Title	
		<p>Process for notification to applicants of the amount of Notes allotted and indication whether dealing may begin before notification is made: [Not Applicable/[]]</p> <p>Details of any tranche(s) reserved for specific country: [Not Applicable/[]]</p> <p>Amount of any expenses and taxes specifically charged to the subscriber or purchaser: [Not Applicable/[]]</p> <p>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/[]]</p>
E.4	Interest of natural and legal persons involved in the issue/offer	<p>The relevant Dealers may be paid fees in relation to any issue of Notes under the Programme. Any such Dealer and its affiliates may also have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for BCP, BCP Finance and their affiliates in the ordinary course of business. In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer, BCP or their affiliates. Certain of the Dealers or their affiliates that have a lending relationship with BCP or BCP Finance routinely hedge their credit exposure to BCP or BCP Finance in a way consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such short positions could adversely affect future trading prices of Notes issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.</p> <p><i>Issue-specific summary</i></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>
E.7	Expenses charged to the investor by the Issuer	Not Applicable – No expenses will be charged to investors by the Issuer.

RISK FACTORS

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

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

RISKS RELATING TO THE ISSUERS

Risks Relating to the Portuguese Economy

The Bank is highly sensitive to the evolution of the Portuguese economy, whose signs of recovery are still not enough to ensure a sustainable growth trend.

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 63% of the Bank's net operating revenue and 77% of total gross loans to customers in the end of the first nine months of 2016, compared to 62% and 75%, respectively, as at 31 December 2015. In addition, as at 30 September 2016, the Bank's holdings of EUR 4.4 billion (EUR 3.9 billion as at 31 December 2015) in Portuguese government bonds represented 6% (5.2% as at 31 December 2015) 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, August 2016).

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 moderate recovery of the economic activity, which has been supported by growth of exports, alongside an improving trend in domestic demand. In line with the economy's recovery, the unemployment rate declined to 10.5% in the third quarter of 2016 (source: Portugal's National Statistics Institute, November 2016). The consolidated value of the gross debt of the public administration in 2015 stabilised at 129% of GDP in 2015 (source: Portugal's National Statistics Institute, August 2016) and the public deficit, which was 11.2% of GDP in 2010, decreased to 4.4% in 2015 (source: Portugal's National Statistics Institute, September 2016). Although it is slightly above the Excessive Deficit Procedure (the "EDP") target, it represents an important effort of budgetary consolidation. This result was largely due to an increase in revenues, amid the growth in economic activity, efforts to reduce tax evasion and measures to control 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, December 2016).

In spite of recent improvements, the economic context remains challenging for Portugal. A significant degree of uncertainty persists regarding the ability of Portuguese issuers to obtain funding from abroad. External 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"*).

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 high tax burden on the real disposable income of families and companies, and 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, represent a challenging economic and political environment. Against this background, the EC forecasts that the economic recovery should continue at a moderate pace, as the GDP growth of 1.6% recorded in 2015 should be followed by an annual growth pace of 0.9% in 2016 and 1.2% in 2017 (source: EC, Autumn 2016). This growth is unlikely to increase disposable income and domestic demand in a material way or drastically reduce the still elevated levels of unemployment. In addition, the possibility of economic performance below expectations cannot be excluded in view of the investment retraction recorded in the nine months ended 30 September 2016 (source: Portugal's National Statistics Institute, November 2016). If these risks to economic growth 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. Unemployment, low levels of business profitability and increased insolvency of companies and/or households had and may continue to negatively influence customers' capacity to repay loans. Consequently, non-performing loans ("NPLs") may increase, which would negatively impact the quality of the Bank's assets. Finally, taking into account Caixa Geral de Depósitos' recapitalisation, among other things, Portugal is still at risk of 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.

In light of constraints on domestic demand, economic activity in the main countries receiving Portuguese exports is extremely important to the Portuguese economy. In this context, the possible deterioration of economic activity in the main trading partners of Portugal (as at August 2016 and according to Portugal's National Statistics Institute, in decreasing order: Spain, France, Germany, United Kingdom, United States, Netherlands, Italy, Angola, Belgium and Norway) could increase the risk of recession in the EU, which would exacerbate the economic and financial difficulties experienced in Portugal 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 to 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, whose economic activity is expected to continue to be undermined by the declining trend of oil prices occurring since September 2014.

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 September 2016, the Bank had EUR 4.9 billion net of borrowings with the ECB (EUR 5.3 billion as at 31 December 2015), EUR 4 billion of which related to the new series of targeted longer-term refinancing operations ("TLTRO II"), corresponding to 7.1% of the Bank's liabilities (7.9% as at 31 December 2015, excluding Angola) and 21% of the total usage of the Portuguese banking system in that month.

(20.3% as at 31 December 2015), 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 gap² 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 September 2016, customer deposits accounted for 78% 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;

² **Commercial gap** – total loans to customers net of BS impairments accumulated minus on-balance sheet customer funds.

- 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
- the eventual 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 October 2016, DBRS reviewed the Portuguese Republic's rating and maintained its long-term rating at BBB (low), affirming the stable outlook. Based on this decision, Portugal maintains its investment grade rating.

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.

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

Such an environment is prone to deflationary pressures. In extreme cases, an unanticipated market shock that impacts 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 July 2016 was estimated at 0.2% (source: Eurostat, August 2016), well below the ECB's target of close to, but below, 2%. According to the ECB analysis, the inflation rate is expected to remain at low levels for a prolonged period of time. Consequently, the ECB decided to implement new stimulus measures to fight the risk of deflation and contribute to the price stability goal. In Portugal, the inflation rate in 2015 (measured by the annual average growth rate of the harmonised index of consumer prices) was slightly positive (0.5%) and has stood at similar levels ever since (source: Portugal's National Statistics Institute, December 2016).

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 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 ("European Semester"). If a Member State deviates from the defined goal, an automatic corrective mechanism would be activated. Member States whose debt exceeds 60% of GDP will be required to adopt measures aimed at reducing their debt 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 (133.1% of GDP in the nine months ended 30 September 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 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 30 September 2016 were as follows: Moody's (Ba1), Standard & Poor's (BB+), Fitch (BB+) and DBRS (BBB Low), all with a stable outlook.

The rating by DBRS is the only rating classifying Portugal as investment grade, thus allowing Portuguese banks to post Portuguese treasury bonds as collateral at the ECB. Consequently, a downgrade by DBRS could lead to the Portuguese banking system's loss of access to ECB funding, which could materially adversely affect the Bank's business, results of operations, financial condition and prospects. A change of the outlook to negative by DBRS, although not leading to the loss of eligibility of the treasury bonds, may reduce the potential for financing with the ECB. If DBRS downgrades the rating by one notch, the Bank's portfolio of assets eligible for refinancing with the ECB will decrease by around EUR 2 billion, while representing approximately EUR 6 billion in available assets (compared to EUR 8.2 billion as at 30 September 2016). On 21 October 2016, DBRS reviewed the Portuguese Republic's rating and maintained its long-term rating at BBB (low), affirming the stable outlook. Based on this decision, Portugal maintains its investment grade rating.

Moreover, 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 turmoil, 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"*). The growing popularity of anti-European and Eurosceptic political parties in several Member States is creating uncertainty, in particular given the fact that both France and Germany will hold general elections in 2017. In this regard, should any of these elections result in a parliamentary constellation detrimental to the stability of the EU or the EMU, it could lead to negative consequences for the Portuguese economy. 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 referendum does not directly bind the British government to specific actions and does not require that it begins the exit procedure under Article 50 of the Treaty on EU or set any time limit for this to be done, although the negotiation process for the exit is expected to be initiated in 2017. However, the full impact of Brexit is currently unknown and would vary depending on the terms of the United Kingdom's withdrawal (if the membership is not renegotiated), which would have to be negotiated with the EU, and on the prevailing economic climate.

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 4.4 billion as at 30 September 2016, of which EUR 4.2 billion is on the available for sale book, EUR 38 million is in the trading portfolio and EUR 146 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 September 2016 standing at around EUR 305.7 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. In fact, the increase of the yields of the Portuguese sovereign debt in the last quarter of 2016 should result in a worsening of the potential losses recorded in the Bank's portfolio of assets available for sale. 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, 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.

Currently, the Bank is introducing changes to the set of models used in the scope of the internal ratings methodology ("**IRB**") for capital requirements calculation. These changes reflect the most recent recommendations received in the context of the aforementioned discussion and following the inspections performed regularly by the Single Supervisory Mechanism (the "**SSM**"), namely regarding the Loss Given Default ("**LGD**") models for the retail segment to be implemented by the end of the first half of 2017, while some changes to the corporate segment will have an impact on 2016 and the remaining are expected to be implemented by the end of the first half of 2017. The implementation of these recommendations may imply a reduction in capital ratios. The final impact depends on the conclusions of the assessment of the supervisory authorities regarding the adequacy and completeness of the

amendments. Potential future adjustments to credit risk models, arising from context changes, requested by the supervisory authorities or on the Bank's initiative, may have repercussions on the amount of risk weighted assets and, consequently, an 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 – The Portuguese Banking System*".

These regulations are not yet finalised and there is no binding date for implementation. Nevertheless, if the modifications come into force, the Bank may be required to raise new capital or to implement other equivalent measures to strengthen its capital ratios at unfavourable terms, which may impact the Bank's business, financial condition and prospects.

If the Bank's capital ratios fall below the minimum (legal or regulatory) threshold, 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 - The Portuguese Banking System*").

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 - The Portuguese Banking System*"). 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.

The Banking Union's regulatory framework uses a leverage ratio, and the leverage ratio was 6.2% phased-in and 4.8% fully implemented as at 30 September 2016 (see "*Description of the Business of the Group - The Portuguese Banking System*"). In particular, 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 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, and relevant uncertainties remain regarding the definition and implementation of the European Deposit Insurance Scheme.

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 – The Portuguese Banking System*").

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 - The Portuguese Banking System*"). 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 - The Portuguese Banking System*"). 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. The Recapitalisation Plan could include, among other measures that aim to reduce capital needs:

- (i) the voluntary conversion of subordinated debt instruments;
- (ii) liability management exercises;
- (iii) sale of specific assets;
- (iv) sale of credit risk portfolios (either outright or synthetically); and
- (v) earnings retention.

Any residual capital deficit that is not covered by the Recapitalisation Plan may need to be covered by the bailing in of Noteholders under the BRRD or through recourse to State aid. This assistance involves an allocation of costs by shareholders and creditors, including the holders of common equity tier 1 ("CET 1") hybrid capital instruments. It may also take the form of conversion of major CET 1 or a reduction in the value of the financial instruments foreseen in the Recapitalisation Plan. Under the current applicable regime, contributions from the priority debt

holders (including deposits guaranteed by the Deposit Guarantee Fund (the "**DGF**") and deposits with real guarantees) are not required.

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 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 Legal Framework of Credit Institutions and Financial Companies (see "*Description of the Business of the Group - The Portuguese Banking System*").

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. 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 - The Portuguese Banking System*").

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 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 - The Portuguese Banking System*").

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 - The Portuguese Banking System*"). 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.

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 Banco Espírito Santo, S.A. ("**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 Banco Internacional do Funchal, S.A. ("**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.

Following 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 2015, the periodical contributions paid by the Bank to the Resolution Fund correspond 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 - The Portuguese Banking System*".

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 will be no need to levy any 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.

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 owns in full Novo Banco's 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 will 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 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 at the date of this Offering Circular, the second procedure for the sale of the Resolution Fund's stake in Novo Banco was ongoing. As communicated by Banco de Portugal on 4 November 2016, five acquisition proposals have been received, which are being analysed in light of the admissibility and selection criteria set out in the tender documents. Although the Bank has participated in that phase of the process, it has not presented a proposal for the referred acquisition. However, it has sent a letter in which it states 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 the 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

does not predict the improvement of offers from the remaining prospective purchasers who submitted offers and who have shown willingness to do so. 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 have not been 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 BCP.

In the event of a shortage of funds, arising from the sale proceeds being lower than the value of Novo Banco recorded in the Resolution Fund's balance sheet, 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 No 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. Moreover, the regular periodic contributions received by the Resolution Fund, whose calculation base rate was increased from 0.02% in 2016 to 0.0291% in 2017, together with the extension of the maturities of the loans granted to the Resolution Fund for the financing of the resolution measures applied to BES and BANIF reinforce the expectation that the recourse to special contributions is unlikely and concomitantly the need to recognize a liability upfront.

According to the Banking Law, Article No 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 confirms 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 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 September 2016, 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 Legal Framework of Credit Institutions and Financial Companies, 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 September 2016, 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, (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. 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 - The Portuguese Banking System*".

On 28 September 2016, the Resolution Fund and the Ministry of Finance communicated an agreement for the basis of a review of the conditions of the EUR 3,900 million loan originally granted by the Portuguese State to the Resolution Fund in 2014 for the financing of the resolution measure applied to BES. Currently, this loan's maturity is 31 December 2017 and, according to the abovementioned communications, the basis of the agreement will allow the extension of that maturity in order to guarantee that the collection of extraordinary contributions for the financing of the Resolution Fund will not be necessary, regardless of the proceeds or of the additional liabilities that the Resolution Fund may receive or pay following the resolution measures applied to BES and BANIF. These communications also mentioned that the conditions agreed between the Ministry of Finance and the Resolution Fund will be subject to formalisation as soon as the necessary technical work is completed and should be extended to the remaining loans obtained by the Resolution Fund. At the present date, changes to loans obtained by the Resolution Fund have not yet been formalized.

In relation to the resolution measure applied to BES, a loan by a banking syndicate to the Resolution Fund in the total amount of EUR 700,000,000 was also executed in 2014. BCP participated in this loan. The initial maturity of the loan was extended and currently matures on 31 December 2017. The repayment of principal and interest from the date of the loan's initial grant must occur in a single installment maturing on the date of the loan's expiration.

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 Legal Framework of Credit Institutions and Financial Companies, 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 Legal Framework of Credit Institutions and Financial Companies, 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 I or Tier II 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 I or Tier II 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 - The Portuguese Banking System*") 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 - The Portuguese Banking System*").

Banks should meet the P2G above the minimum level of capital requirements, both binding and of capital reserves.

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, 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 (“**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. On 9 November 2016, the EC proposed the postponement of the date of entry into force of this regulation, having foreseen that the revision of the regulatory framework would be made in the first semester of 2017 and 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 ("**PARI**"), 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. As at 30 September 2016, 105,175 operations in connection with PARI had been restructured, corresponding to EUR 2,371 million, 32,724 of which comprised mortgage credit operations (EUR 2,016 million) and 72,451 comprised personal credit operations (EUR 292 million). From January 2013 to September 2016, 15,540 operations in connection with PERSI were restructured, corresponding to EUR 463.7 million;
- 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 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 9.3 billion as at 30 September 2016 (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.

Currently BCP is preparing a detailed plan to present to the ECB by January 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 and which was intended to take effect on 1 January 2014, but negotiations are still ongoing.

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 (the "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 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 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, which will replace IAS 39, will likely have an effect on the Bank's financial statements. This contemplated accounting change is expected to become effective for annual periods beginning on or after 1 January 2018, and is still subject to endorsement by the EU. Given the endorsement advice of the European Financial Reporting Advisory Group on 15 September 2015, it is expected that IFRS 9 will be endorsed by the EU in due time before mandatory implementation. However, it is currently unknown whether there will be a phased-in period for its implementation. 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. 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 is available on the EC's website:

(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 ROE³ of 10% and a maximum cost-to-income of 50% from 2016 having been assumed (as at 30 September 2016, ROE was -7.7%, cost-to-income⁴ was 46% and the cost-to-core income⁵ was 52% 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 of acquisitions of equity instruments; prohibition of aggressive commercial

³ **Return on equity (ROE)** – Net income (including the minority interests) divided by the average attributable equity, deducted from preference shares and other capital instruments.

⁴ **Cost-to-income** – operating costs divided by net operating revenues.

⁵ **Cost to core income** - operating costs divided by the net interest income and net fees and commission income.

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 negative 7.7% as at 30 September 2016 which was below the aforementioned commitment of 10%. Consequently, there is a high probability that this target was not achieved as at 31 December 2016. Although the Bank expects that, given that the full repayment of the Government Subscribed Core Tier 1 Capital Instruments ("**GSIs**") has been made, 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.

The Restructuring Plan also provided for the commitment 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 terminated 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.*"

The Bank is exposed to contingent risks for the implementation of its strategy, and may not, totally or partially, achieve the objectives in its Strategic Plan 2012-2017 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, totally or partially, achieve the objectives 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, even though completion of the Rights Offering might change the overall strategy laid out in the Strategic Plan, overall targets will 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 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 State and Finance (the "**Minister of State and 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 State and Finance and Banco de Portugal;
- granting the Minister of State and Finance the right to appoint two non-executive members to the Board of Directors of the Bank (the "**Appointed Members**"), one of whom will serve on the Audit Committee and 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**");
- remuneration and benefits of senior management and executives will be subject to appropriate levels of transparency and scrutiny to ensure they remain appropriate;
- granting the Minister of State and Finance the ability to limit the commitment by the Bank of further financial resources to any non-lending businesses, mergers or acquisitions by the Bank;
- the prohibition of financing by the Bank of mergers or acquisitions of businesses in the financial services sector, except upon written approval of the Minister of State and Finance;
- the operation and maintenance of an internal specialised unit (or units) to be accountable for the management of problem and workout assets, in line with international best practices;
- the implementation of the Recapitalisation Plan and carrying out the Bank's activities accordingly, in particular with respect to the contribution of the Bank to the financing of the Portuguese economy, including households and small- and medium-sized enterprises, and particularly within the sectors of tradable goods and services. The Bank has changed the focus of its credit policy, which is now mainly directed towards funding companies of the tradable goods and services sector;
- the reduction, already achieved by 31 December 2013 and which shall be maintained until 31 December 2017, in lending to shareholders holding more than 2% of the Bank's outstanding shares to less than 30%

of the Bank's own funds after the deduction of publicly invested funds, except where expressly authorised in writing by 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. Under this commitment, as at 30 September 2016, the Bank has already invested EUR 98 million in this fund.

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, which automatically ceased with the full repayment of the GSIs, the remaining obligations imposed by the Restructuring Plan (including those that are simultaneously foreseen in the Decision and in the Restructuring Plan) are likely to remain in force until 31 December 2017, unless waived by the EC.

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**"), without regard to shareholders' pre-emption rights.

The General Meeting of Shareholders held on 21 April 2016 resolved 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, as long as they are previously approved by the EC, 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 September 2016 was EUR 90.3 billion (EUR 91.5 billion on 31 December 2015 and EUR 91.8 billion on 31 December 2014).

As at 30 September 2016, the breakdown of this exposure was the following: EUR 11.3 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 0.07 billion for multilateral development banks, EUR 3.6 billion for other credit institutions, EUR 60.1 billion for retail and companies customers and EUR 13.7 billion for other elements.

As at 31 December 2015, the breakdown of this exposure was the following: EUR 9.5 billion for central governments or central banks, EUR 0.7 billion for regional administrations or local authorities, EUR 0.8 billion for administrative entities and non-profit organisations, EUR 0.05 billion for multilateral development banks, EUR 3.2 billion for other credit institutions, EUR 63.8 billion for retail and companies customers and EUR 13.5 billion for other elements.

According to the ECB, Portugal's NPE coverage by loan loss reserves ("**LLR**") and collaterals was 104% in 2015.

NPEs as at 30 September 2016 were EUR 9.3 billion.

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 September 2016 represented 11% of the total loan portfolio (gross) (9.1% as at 31 December 2015 and 10.7% as at 31 December 2014). The qualified shareholders' loan exposures as at 30 September 2016 represented 0.2% of the total loan portfolio (gross) (0.3% as at 31 December 2015 and 0.4% as at 31 December 2014).

The Bank also has high sectoral concentration in its loan book. As at 30 September 2016, the Bank's credit exposure to the real estate and civil construction sectors was 3% (real estate activities) and 5.8% (construction companies) of

the total loan portfolio (gross). On that date, 46.1% of the loan portfolio consisted of mortgage loans, the exposure to retail and wholesale commerce was 6% and the exposure to service sector companies was 18%.

As at 31 December 2015 the Bank's credit exposure to the real estate and civil construction sectors was 3.3% (real estate activities) and 6.4% (construction companies) of the total loan portfolio (gross), respectively. On that date, 46% of the loan portfolio consisted of mortgage loans, the exposure to retail and wholesale commerce was 6.1% and the exposure to service sector companies was 18.1%.

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 September 2016 totalled EUR 12.8 billion, largely consisting of assets under management (EUR 4.1 billion) and financial insurance (EUR 8.7 billion), including unit linked products (EUR 4.5 billion) and capitalisation insurance/PPR (retirement savings plans) (EUR 4.2 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 5.8%, 3% and 46.1% of the consolidated loan portfolio, respectively, as at 30 September 2016 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 2.3% of total assets of the Bank as at 30 September 2016), 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 1,262 million as at 31 December 2014 (impairments of EUR 259 million) to EUR 1,446 million as at 31 December 2015 and EUR 1,685 million as at 30 September 2016 (impairments of EUR 234 million as at 31 December 2015 and of EUR 210 million as at 30 September 2016). The coverage of assets received in lieu of payment decreased from 20.5% as at 31 December 2014 to 16.2% as at 31 December 2015 and to 12.5% as at 30 September 2016. In the nine months ended 30 September 2016, the Bank received 3,978 new properties in its activity in Portugal (excluding funds and other real estate companies) and sold 1,568 properties, from its stock of properties, for EUR 145 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 411.3 million as at 30 September 2016 (EUR 326.5 million as at 31 December 2015 and EUR 325.1 million as at 31 December 2014). The item Investment Properties includes the amount of EUR 57.5 million as at 30 September 2016 (EUR 144.6 million as at 31 December 2015 and EUR 174.9 million as at 31 December 2014), 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 282.1 million recorded as at 30 September 2016, EUR 301.6 million as at 31 December 2015 and EUR 301.5 million at the end of 2014.

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% of the total loan portfolio as at 31 December 2015, with a low delinquency level and an average loan-to-value ratio of 67%. 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 46.1% of BCP's total loan portfolio (consolidated) as at 30 September 2016. The average spread of the mortgage loans portfolio in Portugal stood at 124 basis points; 39% of the contracts and 45% of the balance of mortgage loans had spreads under 1%. As at 30 September 2016, 79% of the contracts and 80% of the balance of the mortgage loans portfolio in Portugal were indexed to Euribor 3 months and 18% of the contracts and 19% of the balance of the portfolio were indexed to Euribor 6 months. In 2015, the average spread of the mortgage loans portfolio in Portugal stood at 139 basis points; 40% of the contracts and 47% of the balance of mortgage loans had spreads under 1%. As at 31 December 2015, 82% of the Bank's contracts and 80% of the balance of the mortgage loans portfolio in Portugal were indexed to Euribor 3 months and 16% of the contracts and 19% 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 nine months ended 30 September 2016, 6,222 new mortgage credit operations were contracted with an average spread of 204 basis points, compared to 6,609 new mortgage credit operations contracted with an average spread of 240 basis points in 2015.

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 Banks 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 1,673 million as at 30 September 2016, with an impairment of EUR 472 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 1,201 million as at 30 September 2016.

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 57.2 billion in December 2014 to EUR 55.4 billion in December 2015 and EUR 52.6 billion as at 30 September 2016. 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 September 2016, 5% of the loan portfolio's collateral consisted of financial assets compared to 4.7% as at 31 December 2015).

Considering the Portuguese macroeconomic situation and the Bank's older loan exposures to some of the more vulnerable sectors in the economy, in the context of a prudent management of its balance sheet, the Bank has materially increased the amount of provisions and credit impairments booked during the last two quarters (from 31 March 2016 to 30 September 2016). In the three months ended 31 December 2016, the Bank continued to increase the level of coverage through impairments and collateral.

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 September 2016, was EUR 52.6 billion. As at 31 December 2015, the Bank's consolidated loan portfolio was EUR 55.4 billion. The ratio of overdue loans over 90 days stood at 7.2% as at 30 September 2016, compared to 7.4% as at 30 September 2015; the ratio of overdue loans stood at 7.4% as at 30 September 2016, compared to 8.1% as at 30 September 2015; the ratio of NPLs stood at 11% as at 30 September 2016, compared to 11.5% as at 30 September 2015; the ratio of credit at risk stood at 11.4% as at 30 September 2016, compared to 11.9% as at 30 September 2015. The ratio of NPEs stood at 19% as at 30 September 2016, compared to 20.8% as at 30 September 2015. As at 30 September 2016 the restructured loans ratio reached 10.1% of total loans, a favourable performance from the 10.5% registered at the end of September 2015, and the restructured loans not included in the credit at risk ratio stood at 6% of total loans as at 30 September 2016 (6.6% as at 30 September 2015).

The ratio of overdue loans over 90 days stood at 7.2% as at 31 December 2015, compared to 7.3% as at 31 December 2014; the ratio of overdue loans stood at 7.4% as at 31 December 2015, compared to 7.5% in 31 December 2014; the ratio of NPLs stood at 10.9% as at 31 December 2015, compared to 11.5% as at 31 December 2014; the ratio of credit at risk stood at 11.3% as at 31 December 2015, compared to 12% as at 31 December 2014. The ratio of NPEs stood at 20.1% as at 31 December 2015, compared to 21.2% as at 31 December 2014.

As at 30 September 2016, the loan portfolio in Portugal amounted to EUR 40.3 billion. In Portugal, the ratio of overdue loans over 90 days stood as at 30 September 2016 at 8.7%, compared to 9.1% as at 30 September 2015; the ratio of overdue loans stood at 9% as at 30 September 2016, compared to 9.9% as at 30 September 2015; the ratio of NPLs stood at 13.5% as at 30 September 2016, compared to 14% as at 30 September 2015; the ratio of credit at risk stood at 13.7% as at 30 September 2016, compared to 14.1% as at 30 September 2015. The ratio of NPEs stood at 17.6% as at 30 September 2016, compared to 18.7% as at 30 September 2015.

As at 31 December 2015, the loan portfolio in Portugal amounted to EUR 41.6 billion. In Portugal, the ratio of overdue loans over 90 days stood at 8.9% as at 31 December 2015, compared to 8.9% as at 31 December 2014; the ratio of overdue loans stood at 9.1% as at 31 December 2015, compared to 9.1% in 31 December 2014; the ratio of NPLs stood at 13.4% as at 31 December 2015, compared to 14% as at 31 December 2014 and the ratio of credit at risk stood at 13.5% as at 31 December 2015, compared to 14.1% as at 31 December 2014. The ratio of NPEs stood at 18% as at 31 December 2015, compared to 19.4% as at 31 December 2014.

NPEs in Portugal amounted to EUR 9.3 billion as at 30 September 2016, with 29% of NPEs relating to individuals and 71% to companies. 59% of NPEs are NPLs more than 90 days. NPE coverage as at 30 September 2016 was 98% for Companies (41% by LLRs, 37% by real estate collateral and 19% by other collateral and EL gap) and 99% for Individuals (22% by LLRs, 69% by real estate collateral and 8% by other collateral and EL gap). NPLs more than 90 days' coverage as at 30 September 2016 was 98% for Companies (49% by LLRs, 36% by real estate collateral and 13% by other collateral and EL gap) and 96% for Individuals (28% by LLRs, 65% by real estate collateral and 3% by other collateral and EL gap). Other NPE coverage as at September 2016 was 97% for Companies (33% by LLRs, 38% by real estate collateral and 26% by other collateral and EL gap) and 106% for Individuals (8% by LLRs, 78% by real estate collateral and 19% 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 870.2 million as at the nine-month period ended on 30 September 2016, EUR 833 million as at 31 December 2015 and EUR 1,107 million as at 31 December 2014. From 2011 to 30 September 2016, the Bank made impairment provisions amounting to EUR 5,815.9 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 risk⁶, measured by the proportion of loan impairment annualised charges (net of recoveries) compared to loans to customers (gross), stood at 221 basis points as at 30 September 2016, compared to 150 basis points as at 31 December 2015, and 194 basis points as at 31 December 2014. The credit at risk coverage stood at 63.2% as at 30 September 2016, compared to 53.7% as at 30 September 2015. The credit at risk coverage stood at 55.2% as at 31 December 2015, compared to 50.8% as at 31 December 2014. 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 September 2016 was 2.7%, compared to 2.9% as at 30 September 2015. As at 31 December 2015, the NPL ratio was 2.8%, compared to 3% as 31 December 2014.

In Mozambique, the NPL ratio as at 30 September 2016 was 5.3%, compared to 6.2% as at 30 September 2015. As at 31 December 2015, the NPL ratio was 6.2%, compared to 4.1% as at 31 December 2014.

⁶ **Cost of risk, net** - ratio of impairment charges (net of recoveries) accounted to customer loans (gross).

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 2016 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.

Deloitte & Associados SROC, S.A. ("Deloitte") was appointed as the Bank's Statutory Auditor ("*Revisor Oficial de Contas*") on 21 April 2016, with effect as from 5 May 2016. Deloitte has issued a limited review report of the interim condensed consolidated financial statements as at and for the nine months ended 30 September 2016. However, as of the date of this Offering Circular, Deloitte has not performed an audit of the consolidated financial statements of the Bank, which is only expected to be conducted with reference to 31 December 2016. Accordingly, Deloitte does not express an audit opinion on these interim condensed consolidated financial statements. A limited review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing.

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 could potentially 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 nine months ended 30 September 2016, the Bank had 2.3 million customers in Portugal and, in September 2016, 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: 18% in loans to customers, 18.2% in loans to companies, 16.7% in loans to individuals, 17.4% in mortgage loans, 11.4% in consumer credit, 18.9% in customer funds, 17.5% in on-balance sheet customer funds, 17% in deposits and 23.4% 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, within the scope of its restructuring programme, on 30 September 2016 the Bank operated 634 branches, meeting the goal of reducing the number of branches to less than 700 until the end of 2017. In addition, the Bank announced a new goal of further decreasing the number of branches by 100 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 September 2016, around 6% of the Bank's total domestic customers also held ordinary shares of the Bank (around 6.1% as at 31 December 2015 and approximately 5.9% as at 31 December 2014). 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 nine months ended 30 September 2016, more than 81% of the fees and commissions related to banking (27.5% to cards and transfers, 30.6% to loans and guarantees, 14.8% to bancassurance, 17.4% to customer account related fees and 9.7% to other fees and commissions), with market related fees and commissions accounting for the remaining 19%. 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 14 June 2016), (b) Standard & Poor's: "B+/B" (re-presented as at 21 March 2016), (c) Fitch: "BB-/B" (re-presented as at 12 May 2016) and (d) DBRS: "BB (high)/R-3" (re-presented as at 15 June 2016). The risk ratings for the Bank's subordinated debt are: "BB" by DBRS, "B3" by Moody's and "CCC" by Standard & Poor's. In June 2016, Moody's, Fitch and DBRS confirmed a stable outlook for the Bank, while Standard & Poor's confirmed a positive outlook.

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 and in June 2015 (the latter within a context of a voluntary and partial tender offer for the purchase of securities, Oferta Pública de Aquisição Voluntária e Parcial de Valores Mobiliários), 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 (6% of BCP's shareholders were also clients of BCP as at 30 September 2016); 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 nine months of 2016, the Bank's net profit (after income taxes and non-controlling interests) attributable to international operations was EUR 134.8 million, compared to net losses (after income taxes and non-controlling interests) of EUR 251.1 million for the Bank as a whole. For the same period, net income in Poland was EUR 130.3 million, (EUR 65.3 million of which was attributable to the Bank), net income in Angola was EUR 46.9 million (EUR 36.8 million associated with net income of BMA, of which EUR 18.4 million was attributable to the Bank and EUR 10 million associated with the share of profit of Banco Millennium Atlântico, consolidated by the equity method) and net income in Mozambique was EUR 51.8 million (of which EUR 34.5 million was attributable to the Bank).

In 2015, the Bank's net profit (after income taxes and non-controlling interests) attributable to international operations was EUR 176.5 million, compared to net profits (after income taxes and non-controlling interests) of EUR 235.3 million for the Bank as a whole. For the same period, net income in Poland was EUR 130.7 million (of which EUR 71.5 million was attributable to the Bank) net income in Angola was EUR 75.7 million (of which EUR 37.9 million was attributable to the Bank) and net income in Mozambique was EUR 84.2 million (of which EUR 56.2 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 materialize, 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, notwithstanding the geopolitical tension in the Ukraine. During 2014 and 2015, the Polish GDP accelerated further through firmer exports and increased domestic demand due to improvement in the labour market. In 2015 the Polish GDP growth rate was 3.9% and in the medium-term the EC expects that the Polish GDP growth rate will remain above 3% with GDP expected to grow 3.1% in 2016, 3.2% in 2018 and 3% in 2021 (sources: EC, Autumn 2016; IMF, World Economic Outlook ("**WEO**") October 2016).

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 recessive 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 Poland and elsewhere in the EU, on the back of the United Kingdom's exit from the EU, could lead to greater volatility of the Polish zloty exchange rate and affect the Bank's results

directly through financial operations and indirectly through repercussions on the clients' financial situation. Moreover, there is the risk that the implementation of more economic policy decisions 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 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 September 2016 stood at approximately EUR 4.1 billion (approximately 37.3% of the total loan portfolio). The mortgage loans denominated in CHF impaired ratio stood at 2.8% and the coverage by provisions at 45% at 30 September 2016. Taking into consideration the loans more than 90 days past due, the ratio is only 2.7% and the coverage by provisions is at 107% at 30 September 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 37.4% of the Polish bank's loan book (EUR 4.1 billion), which represents 7.9% 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 scrapped 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. The process is still ongoing.

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 September 2016 amount to 37.4% of the Polish bank's loan book (EUR 4.1 billion), which represents 7.9% 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 is projected to expand by 4.5% in 2016 (source: IMF, WEO October 2016). 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. According to the IMF, the general gross government debt as a percentage of GDP rose from 62.4% in 2014 to 86% in 2015, while the current account balance as a percentage of GDP was negative 39% in 2015, compared to negative 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 \$1.4 billion (source: IMF, 24 June 2016). The deterioration of its fiscal position in the following months led the Mozambican authorities to miss an interest payment on dollar bonds due on January 18. 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. Any 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.

In the medium-term, the Mozambican economy is expected to return to growth levels near 7%. The GDP growth rate is forecast to stand at 6.7% in 2018 and to accelerate to 6.8% in 2021 (source: IMF, WEO October 2016).

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%.

Angola

In Angola, the real GDP growth rate slowed down from 4.8% in 2014 to 3% during 2015 and is expected to stagnate in 2016 (source: IMF, WEO October 2016). 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 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 requested technical and financial support from the IMF and discussions were held between Angolan authorities and the IMF from 1 June to 14 June 2016 (IMF, 14 June, 2016; press release No. 16/283). However, the government decided to discontinue the discussion regarding a request for an extended fund facility support programme (IMF, 30 June 2016, press briefing transcription), maintaining only interest on technical support. This could delay the structural reforms conducive to a more diversified economic structure and also lower the level of solvency and perceived safety of the banking system, thereby raising the risks of financial and economic instability. Political uncertainty around the general elections, which are set to occur in August 2017, may also delay the implementation of important structural reforms to ensure economic diversification and exchange rate stability.

The adverse fiscal impact of lower oil prices may lead to a further weakening of budgetary management which would increase vulnerability to external shocks. In this context, the Angolan economy is considerably vulnerable to further decreases in the price of oil and the GDP growth rate is expected to remain at low levels in the medium-term, with a GDP growth rate of 2.4% projected by the IMF for 2018 (source: IMF, WEO October 2016). In the following years, the GDP growth rate should accelerate and is projected to grow to 3.5% in 2021 (source: IMF, WEO October 2016).

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. For example, upcoming elections in Angola in 2017 could give rise to political uncertainty and any changes in the government could result in significant policy changes.

Additionally, the Bank's operations in those markets may involve protracted negotiations with host governments, companies or other local entities and may be subject to instability arising from political, 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 (78% of the Bank's funding as at 30 September 2016, 80% as at 31 December 2015 and 75% as at 31 December 2014, 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 September 2016 were 135% and 113%, respectively, compared to a benchmark of 100% (fully implemented) for both ratios. The leverage ratio stood at 6.2% (phased in) and at 4.8% (fully implemented) as at 30 September 2016, 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 eventual incorporation of a "bad bank" in Portugal may result in additional capital needs for the Bank.

In the last few months, members of the Portuguese government and representatives of Banco de Portugal have been making public references to the possibility of incorporation of an entity or mechanism aiming at the acquisition (addressed to Portuguese banks) and management of credits in default.

The Bank has publicly stated that such solution is not necessary, as it has been implementing a plan that aims at the reduction of NPEs from its balance sheet, through the adoption of a set of internal measures and proceedings.

Notwithstanding the fact that no final decision is known to have been taken in relation to this matter regarding the precise terms and conditions according to which such entity or mechanism could be incorporated and any transfer of assets that could occur, as well as the respective timeline for creation of such "bad bank", the implementation of the plan to create such "bad bank" for the reduction of the NPEs held by the Bank could cause the transfer of credits at a value lower than the accounting value, which would constitute a loss for the Bank and, consequently, a deterioration of its capital ratios. This could have a material adverse effect on the Bank's 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 September 2016 were 12.2% (phased in) and 9.5% (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 that could be resolved against the Bank's favour, could adversely affect the Bank's ability to maintain and attract customers, 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 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 tax procedures or other aspects of tax law, 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. Restrictions on the compensation of members of management and supervisory bodies provided for in Ministerial Order 150-A/2012, of 17 May 2012, to the greater of: (i) 50% of such members' average compensation over the previous two years; or (ii) the remuneration received by members of management and supervisory bodies of public credit institutions, may hinder the Bank's ability to maintain and/or attract members with the desired profile.

The 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.

The formal publication of the new Collective Agreement in the "*Boletim de Trabalho e Emprego*" will determine the start of the implementation of the new provisions of the Collective Agreement.

Regarding the international operations, there has been a high staff turnover in the Bank's operations in Poland and Mozambique. In Poland, 1,059 employees left the Bank and 857 employees were hired in 2015, with the total number of employees by the end of 2015 being 5,911 (5,992 headcount). In Mozambique, in 2015, the exits surpassed the number of new employees, with staff turnover of 156 and 148 employees, respectively. At the end of 2015 the total headcount stood at 2,505 employees.

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 27,451 as at 30 September 2016 and 27,505 as at 31 December 2015.

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 110% at the end of September 2016 (111% as at 31 December 2015). As at 30 September 2016, 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 3,160 million, compared with EUR 3,136 million recorded as at 31 December 2015. In the first nine months of 2016, the pension fund recorded a negative 2.37% rate of return, whereas in 2015 it stood at negative 0.8%.

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 September 2016, the corridor plus the regulatory capital (CET 1) for purposes of the phased in capital ratio was of EUR 127 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 2016, the Bank used a discount rate of 2.5% 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 2015. In the financial statements with reference to 30 September 2016, the discount rate and the pension growth rate were reduced by 0.5%, the discount rate becoming 2% and the pension growth rate 0% (it was previously considered a growth of 0% until 2017 and 0.5% after 2017), considering the reduction in the level of relevant market interest rates in this context and the need to adequately frame the evolution of the liabilities to retired pensioners while maintaining the current level of market interest rates for the settlement period of these liabilities, considering that, unlike pensioners, active employees have supported salary reductions, which have been in force since 2014. The effect of the reduction of the pension growth rate resulted in an increase of the Bank's own capital as at 30 September 2016. 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 a reduction of around EUR 139 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 141 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 nine months ended 30 September 2016, actuarial differences represented negative EUR 180 million (negative EUR 111 million as at 31 December 2015). 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. 84.8% of the Bank's employees in Portugal and 72% of all its employees were members of labour unions at the end of 2015 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 nine months ended 30 September 2016, 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 negative EUR 11 million, as at 30 September 2016, 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 74.8 million as at 30 September 2016, compared to EUR 176.7 million as at 31 December 2015 and EUR 123.6 million as at 31 December 2014. 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 1,200.6 million (EUR 1,352.2 million as at 31 December 2015) as at 30 September 2016 which value resulted from the 'Net assets attributable to unit holders' ("NAV") quote determined by the management company (as at 30 September 2016 this VLGF was related to the financial position of the funds as at 30 June 2016) and in accordance with the 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 120.1 million as at 30 September 2016 (EUR 135.2 million as at 31 December 2015) on Equity. This impact includes the effect on fair value reserves of EUR 40.3 million (EUR 53 million as at 31 December 2015) and of EUR 79.8 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 27.2 million as at 30 September 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 445.6 million as at 30 September 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.

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.

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. 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 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.

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 2015 and the nine months ended 30 September 2016 were caused by frauds and execution failures and a large portion of the operational losses had low material significance, under EUR 100,000 (96% of all operational losses Group wide). In fact about 80% of the cases recorded in the nine months ended 30 September 2016 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 income of Millennium bcp Ageas was EUR 27.5 million in the nine months ended 30 September 2016 (EUR 18.2 million attributable to the Bank). 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 September 2016, 17.84% 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 September 2016, 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 13.6 billion (EUR 3.1 billion, compared to PLN 12.1 billion and EUR 2.8 billion as at 31 December 2015) and Millennium bim in Mozambique: MZM 18.2 billion (EUR 208 million, compared to MZM 18.7 billion and EUR 0.4 million as at 31 December 2015). 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 September 2016, 37.3% of the total loan portfolio and 65% 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 September 2016, such portfolios totalled EUR 9.8 billion of Exposure at Default ("**EAD**"), compared to EUR 10.8 billion as at 31 December 2015, 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 potential conversion into capital of the special reserve foreseen by the law, in particular in the case of negative net individual results. Changes in the law or a different interpretation (or if the operations foreseen by the Bank do not take place) may have an adverse impact on the capital ratio.

The Bank's deferred tax assets ("DTAs") (on a consolidated basis) as at 30 September 2016 corresponded to EUR 2,791 million, compared to EUR 2,562 million as at 31 December 2015, 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 899 million and related employee benefits amounting to EUR 789 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 taxes assets may be compensated with current taxes 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.

Supported by the projection of taxable income for the years 2016 to 2028, the recoverability of DTAs related to the individual activity of the Bank was revalued as at 30 September 2016.

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

- (i) the financial margin, reflecting the positive impact of the reimbursement of GSIs, the sustained decline in the cost of term deposits from customers and the prospective evolution of Euribor;
- (ii) the reduction in operating costs, as a consequence of decreases in numbers of employees and branches;
- (iii) loans impairment charges.

In addition, the Bank considered the following assumptions in the analysis of the recoverability of DTAs and their composition with respect to the deferred tax assets covered by Law 61/2014, of 26 August, as at 30 September 2016:

- that the limits provided in Notice No. 3/95 of Banco de Portugal for the purposes of tax deductibility of credit impairment recorded in 2016 will be maintained, including the effect of the transition of the Bank's individual accounts from the adjusted accounting standards to international accounting standards as adopted by the EU;
- the conclusion in 2016 of an additional step in the reorganisation of the Group's holdings, which will include a set of transactions in financial holdings (including, among others, the settlement of Bitalpart) and other assets held, which will result in the deductibility of tax losses already recognised in the accounts; and
- the payment of dividends by subsidiaries in 2016, which will allow for their deductibility for tax purposes.

According to the estimate of the Bank's taxable income for 2016, including the effect of the completion of the above mentioned measures, the Bank foresees the maintenance at the end of the exercise of the DTAs covered by the regime approved by Law 61/2014, of 26 August, which are registered on 30 September 2016.

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.

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 may choose to either adopt or disregard this regime at the Bank's sole discretion. The Bank is analysing the impacts of the adoption of this regime.

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 CET 1 ratio, fully implemented as at 30 September 2016, corresponds to 9.5% 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 30 September 2016 was negative EUR 295.41 million; there is no guarantee that the net result in the end of 2016 will be positive.

Certain steps have, in the interim, taken place in the Group's organisation, as part of certain intra-Group transactions, which may contribute to partially or totally offsetting the loss booked as at 30 September 2016 in the Bank's individual financial statements.

If the Bank registers a net loss as at 31 December 2016, 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. In this context, the Bank considered that the thresholds provided for in Banco de Portugal Notice 3/95 for purposes of tax deductibility of credit impairments occurred in 2016, 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 18 November 2016, which came into force the following day, confirmed that assumption. The Bank also considered that it expects to have a tax loss in 2016, also due to the impact at this level of reorganisation operations which will be performed in this financial year relating to holdings and other financial assets held, which impairment is already recognised in the accounts, and to the receipt of dividends from subsidiaries. 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, 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.

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 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. 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.

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

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

RISKS ASSOCIATED WITH NOTES ISSUED UNDER THE PROGRAMME

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

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

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

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

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

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

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

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

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

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

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

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

The BRRD contemplates that Subordinated Notes may be subject to non-viability loss absorption, in addition to the application of the general bail-in tool. (See 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 – the Portuguese Banking System"* below).

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

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

2. Risks related to Notes generally

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

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

The conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

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

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.

U.S. Foreign Account Tax Compliance Act

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

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

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

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

Risks related to withholding tax on Notes issued by the Bank

Under Portuguese law, income derived from the Book Entry Notes integrated in and held through a centralised system managed by Portuguese resident entities (such as the Central de Valores Mobiliários, managed by Interbolsa), by other European Union or European Economic Area entities that manage international clearing systems (in the latter case if there is administrative co-operation for tax purposes with the relevant country which is equivalent to that in place within the European Union), or, when authorised by the member of the government in charge of finance (currently the Finance Minister), in other centralised systems held by non-resident investors (both individual and corporate) eligible for the debt securities special tax exemption regime which was approved by Decree-Law 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 issued by the Bank is paid or made available ("*colocado à disposição*") to accounts in the name of one or more accountholders acting on behalf of undisclosed entities (e.g. typically "jumbo" accounts) such income will be subject to withholding tax in Portugal at a rate of 35% unless the beneficial owner of the income is disclosed. Failure by the investors to comply with this disclosure obligation will result in the application of the said Portuguese withholding tax at a rate of 35% and the Bank will not be required to gross up payments in respect of any withheld accounts in accordance with Condition 8(x).

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 8.

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

Issuers who hold less than the minimum Specified Denomination may be unable to sell their Notes and may be adversely affected if definitive Notes are subsequently required to be issued.

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system would not be able to sell the remainder of such holding without first purchasing a principal amount of Notes at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination. Further, a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination.

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

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 "*Description of the Business of the Group - The Portuguese Banking System*" 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. 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 or the Guarantor to make payments in respect of the Notes. As a result, investors may receive less interest or principal than expected, or no interest or principal.

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

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

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

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

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

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

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

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 2014 Annual Report of BCP and its subsidiaries ("**BCP Group**"):

Balance Sheet	Page 153
Income Statement	Page 152
Cash Flows Statement	Page 154
Statement of Changes in Equity	Page 155
Statement of Comprehensive Income	Page 156
Notes to the Consolidated Financial Statements	Pages 158 to 313
Audit Report	Pages 475 to 477

- (b) the following audited consolidated financial statements, notes and audit report set out at the following pages of the 2015 Annual Report of BCP Group:

Balance Sheet	Page 139
Income Statement	Page 138
Cash Flows Statement	Page 140
Statement of Changes in Equity	Page 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

- (c) the following unaudited consolidated financial statements and the respective Auditor's Limited Review Report set out at the following pages of the Interim Activity Report of the 3rd Quarter of 2016 of BCP Group:

Balance Sheet	Page 27
Income Statement	Page 23
Cash Flows Statement	Page 28
Statement of Changes in Equity	Page 29
Statement of Comprehensive Income	Page 26
Notes to the Consolidated Financial Statements	Pages 31 to 150
Limited Review Report	Pages 151 to 152

- (d) the following audited financial statements, notes and audit report set out at the following pages of the document related to the 2014 Annual Report of BCP Finance:

Statement of Comprehensive Income	Page 6
Balance Sheet	Page 7
Statement of Cash Flows	Page 8
Statement of Changes in Shareholder's Equity	Page 9
Notes to the financial statements	Pages 10 to 47
Audit Report	Page 5

- (e) the following audited financial statements, notes and audit report set out at the following pages of the document related to the 2015 Annual Report of BCP Finance:

Statement of Comprehensive Income	Page 7
Balance Sheet	Page 8
Statement of Cash Flows	Page 10
Statement of Changes in Shareholder's Equity	Page 9
Notes to the financial statements	Pages 11 to 46
Audit Report	Page 6

- (f) the following unaudited consolidated financial statements set out at the following pages of the Report and Accounts as of and for the six month period ended 30 June 2016 of BCP Finance:

Statement of Profit and Loss and Other Comprehensive Income	Page 6
Statement of Financial Position	Page 7
Statement of Cash Flows	Page 8
Statement of Changes in Shareholder's Equity	Page 9
Notes to the financial statements	Pages 10 to 31

- (g) the following unaudited consolidated financial statements set out at the following pages of the Report and Accounts as of and for the six month period ended 30 June 2015 of BCP Finance:

Statement of Profit and Loss and Other Comprehensive Income	Page 5
Statement of Financial Position	Page 6
Statement of Cash Flows	Page 7
Statement of Changes in Shareholder's Equity	Page 8
Notes to the financial statements	Pages 9 to 30

- (h) 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) and 23 October 2015, pages 113-142 (inclusive), prepared by BCP Finance and the Bank in connection with the Programme.

All financial information in this Offering Circular relating to the Bank for the years ended on 31 December 2014 and 31 December 2015 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 offices of BCP Finance and the Bank and from the specified offices of the Paying Agents for the time being. Documents referred to in (a) and (b) above can be viewed electronically and free of charge at the Bank's website

(<http://ind.millenniumbcp.pt/en/Institucional/investidores/Documents/RelatorioContas/2014/RCBCP2014EN.pdf>) and

(<http://ind.millenniumbcp.pt/en/Institucional/investidores/Documents/RelatorioContas/2015/RCBCP2015EN.pdf>).

Documents referred to in (c) above can be viewed electronically and free of charge at the Bank's website (<http://ind.millenniumbcp.pt/en/Institucional/investidores/Documents/RelatorioContas/2016/BCP-3T-2016EN-02122016.pdf>). Documents referred to in (d), (e), (f) and (g) can be viewed electronically and free of charge at

<http://tools.morningstar.co.uk/tsweu6nqxu/globaldocuments/document/documentHandler.ashx?DocumentId=8189631>,

<http://tools.morningstar.co.uk/tsweu6nqxu/globaldocuments/document/documentHandler.ashx?DocumentId=110220901>,

<http://tools.morningstar.co.uk/tsweu6nqxu/globaldocuments/document/documentHandler.ashx?DocumentId=117182814> and

<http://tools.morningstar.co.uk/tsweu6nqxu/globaldocuments/document/documentHandler.ashx?DocumentId=95963179>, respectively. Earlier Offering Circulars published by the Issuer referred to in (h) 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;
- (ii) Offering Circular dated 22 November 2004:
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;
- (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; and
- (xiii) Offering Circular dated 23 October 2015:
http://www.ise.ie/debt_documents/Base%20Prospectus_884df237-9c7d-483e-b7c9-e711211f6b5a.PDF.

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

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

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

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

1. Bearer Notes

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

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

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

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

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

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

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

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

The following legend will appear on all Permanent Bearer Global Notes and definitive Bearer Notes which have an original maturity of more than one year and on all interest coupons relating to such Notes where TEFRA D is specified in the applicable Final Terms:

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

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

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

2. Book Entry Notes

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

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

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

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

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

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

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

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

3. General

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

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

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

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

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

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

FORM OF FINAL TERMS

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

FINAL TERMS

[Date]

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

Issue of [] []

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

under the EUR25,000,000,000

Euro Note Programme

[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.]⁷

⁷ 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 16 February 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[, the Guarantor] and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Offering Circular. A summary of the Notes (which comprises the summary in the Offering Circular as completed to reflect the provisions of these Final Terms) is annexed to these Final Terms. The Offering Circular has been published on the Issuer's website (www.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).]⁸

[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 16 February 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 16 February 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 [, the Guarantor] and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Offering Circular. A summary of the Notes (which comprises the summary in the Offering Circular as completed to reflect the provisions of these Final Terms) is annexed to these Final Terms. The Offering Circular has been published on the Issuer's website (www.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).]²

[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 16 February 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), on the website of the Irish Stock Exchange (<http://www.ise.ie>) and on the website of the Central Bank (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. | (a) | Issuer: | [BCP Finance Bank Ltd./Banco Comercial Português, S.A.] |
| | (b) | Guarantor: | [Unguaranteed/Banco Comercial Português, S.A. acting through its Macao branch] [Not Applicable] |
| 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/the date that is 40 days after the Issue Date/exchange of the Temporary Bearer Global Note for interests in the Permanent Bearer |

⁸ 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.

		Global Note, as referred to below, which is expected to occur on or about [] [Not Applicable]
3.	Specified Currency:	[]
4.	Aggregate Nominal Amount	
	• Tranche:	[]
	• Series:	[]
5.	Issue Price of Tranche:	[]% of the Aggregate Nominal Amount [plus accrued interest from [] (if applicable)]
6.	(a) Specified Denomination(s):	[] [and integral multiples of [] in excess thereof up to and including []. Definitive Notes will not be issued in denominations in excess of []]
	(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] [[] month [LIBOR/EURIBOR] +/-]% Floating Rate] [Zero Coupon] (further particulars specified in [14/15/16] below)
10.	Redemption Basis:	Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at []% of their nominal amount
11.	Change of Interest Basis:	[] [Not Applicable] (further particulars specified in 14 and 15 below)
12.	Put/Call Options:	[Investor Put] [Issuer Call] [Issuer Call, subject to the Relevant Authority's prior permission (as set out in Condition 7(k))] [(further particulars specified in [18/19] below)] [Not Applicable]
13.	(a) Status of the Notes:	[Senior/[Dated/Perpetual] Subordinated]
	(b) Status of the Guarantee:	[Unguaranteed/Senior/[Dated/Perpetual] Subordinated] [Not Applicable]
	(c) 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)	Fixed Coupon Amount(s): (Applicable to Notes in definitive form)	[] per Calculation Amount
(d)	Broken Amount(s): (Applicable to Notes in definitive form)	[] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [] [Not Applicable]
(e)	Day Count Fraction:	[Actual/Actual (ICMA)] [30/360]
(f)	Determination Date(s):	[] in each year
15.	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 (*specify for each short or long interest period*)]
- (i) Margin(s): [+/ -] % per annum
- (j) Minimum Rate of Interest: [] % per annum
- (k) Maximum Rate of Interest⁹: [] % per annum
- (l) Day Count Fraction: [Actual/Actual (ISDA)]
[Actual/Actual]
[Actual/365 (Fixed)]
[Actual/365 (Sterling)]
[Actual/360]
[30/360]
[30E/360]
[30E/360 (ISDA)]
- 16. **Zero Coupon Note Provisions** [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

- 17. Notice periods for Condition 7(B) ("*Redemption for Tax Reasons*"): Minimum period: [] days
Maximum period: [] days
- 18. **Issuer Call** [Applicable/Applicable subject to the Relevant Authority's prior permission (as set out in Condition 7(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

⁹ 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.

19. **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
20. Final Redemption Amount of each Note: [] per Calculation Amount
21. Early Redemption Amount payable on redemption for taxation reasons or on event of default: [] per Calculation Amount
- (N.B. If the Final Redemption Amount is 100% of the nominal value (i.e. par), the Early Redemption Amount is likely to be par (but consider). If, however, the Final Redemption Amount is other than 100% of the nominal value, consideration should be given as to what the Early Redemption Amount should be.)*

GENERAL PROVISIONS APPLICABLE TO THE NOTES

22. Form of Notes

- (a) Form:
- [Temporary Bearer Global Note exchangeable for a Permanent Bearer Global Note which is exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event]]
- [Temporary Bearer Global Note exchangeable for Definitive Notes on and after the Exchange Date]
- [Permanent Bearer Global Note exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event/at any time at the request of the Issuer]]
- [Book Entry Notes: *nominativas*/ Book Entry Notes: *ao portador*]
- (b) New Global Note: [Yes] [No]

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

24. Talons for future Coupons to be attached to Definitive Bearer Notes: [Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made/No]

Signed on behalf of the Issuer:

[Signed on behalf of the Guarantor:

By:
Duly authorised

By:
Duly authorised

PART B – OTHER INFORMATION

1. **Listing and Admission to Trading**

[Application [has been/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 []]

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

Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the issue. [Certain [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and or commercial banking transactions with, and may perform other services for, the Issuer [and the Guarantor] and [its/their] affiliates in the ordinary course of business.] []

4. **Reasons for the Offer, Estimated Net Proceeds and Total Expenses**
 - (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) Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s): [Not Applicable/☐ ☐
- (d) Delivery: Delivery [against/free of] payment
- (e) Names and addresses of additional Paying Agent(s) (if any): ☐ ☐
- (f) Deemed delivery of clearing system notices for the purposes of Condition 15: Any notice delivered to Noteholders through Euroclear and/or Clearstream, Luxembourg will be deemed to have been given on the ☐ ☐ day on which Euroclear and/or Clearstream, Luxembourg are open for business after the day on which it was given to Euroclear and/or Clearstream, Luxembourg.
- (g) 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 deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]
- [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. Whilst the designation is specified as "no" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common

safekeeper. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]

8. Distribution

- (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 D] [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 accordance with the Conditions in it: [*Insert names and addresses of financial intermediaries receiving consent (specific consent)*] [Not Applicable]
- (iv) General Consent: [Not Applicable][Applicable]
- (v) Other Authorised Offeror Terms: [Not Applicable][*Add here any other Authorised Offeror Terms*]
(Authorised Offeror Terms should only be included here where General Consent is applicable)
- (h) General Consent: [Not Applicable][Applicable]
- (i) Other conditions to consent: [Not Applicable][]

9. Terms and Conditions of the Offer

Offer Price: [Issue Price/Not Applicable/[]]

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

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

Issue of [] []

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

under the EUR25,000,000,000

Euro Note Programme

PART A – CONTRACTUAL TERMS

[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 16 February 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[, the Guarantor] and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Offering Circular. The Offering Circular has been published on the Issuer's website (www.millenniumbcp.pt), on the website of the Irish Stock Exchange (<http://www.ise.ie>) and on the website of the Central Bank (www.centralbank.ie).]¹

[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 16 February 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 16 February 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 [, the Guarantor] and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Offering Circular. The Offering Circular has been published on the Issuer's website (www.millenniumbcp.pt), on the website of the Irish Stock Exchange (<http://www.ise.ie>) and on the website of the Central Bank (www.centralbank.ie).]¹

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

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.

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- [Zero Coupon]
(further particulars specified in [14/15/16] below)
10. Redemption Basis: Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at []% of their nominal amount
11. Change of Interest Basis: [] [Not Applicable]
(further particulars specified in 14 and 15 below)
12. Put/Call Options: [Investor Put]
[Issuer Call]
[Issuer Call, subject to the Relevant Authority's prior permission (as set out in Condition 7(k) below)]
[(further particulars specified in [18/19] below)]
[Not Applicable]
13. (a) Status of the Notes: [Senior/[Dated/Perpetual] Subordinated]
- (b) Status of the Guarantee: [Unguaranteed/Senior/[Dated/Perpetual] Subordinated]
[Not Applicable]
- (c) 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) Fixed Coupon Amount(s): [] per Calculation Amount
(Applicable to Notes in definitive form)
- (d) Broken Amount(s): [] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [] [Not Applicable]
(Applicable to Notes in definitive form)
- (e) Day Count Fraction: [Actual/Actual (ICMA)] [30/360]
- (f) Determination Date(s): [] in each year
15. **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 (*specify for each short or long interest period*)]
- (i) Margin(s): [+/-][]% per annum
- (j) Minimum Rate of Interest: []% per annum
- (k) Maximum Rate of Interest²: []% per annum
- (l) Day Count Fraction: [Actual/Actual (ISDA)]
[Actual/Actual]
[Actual/365 (Fixed)]
[Actual/365 (Sterling)]
[Actual/360]
[30/360]
[30E/360]

² 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 (ISDA)]
16.	Zero Coupon Note Provisions	[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

17.	Notice periods for Condition 7(B) ("Redemption for Tax Reasons"):	Minimum period: [] days Maximum period: [] days
18.	Issuer Call	[Applicable/Applicable subject to the Relevant Authority's prior permission (as set out in Condition 7(k) below)/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:	[]
	(a) Notice periods:	Minimum period: [] days Maximum period: [] days
19.	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
20.	Final Redemption Amount of each Note:	[] per Calculation Amount
21.	Early Redemption Amount payable on redemption for taxation reasons or on event of default:	[] per Calculation Amount (N.B. If the Final Redemption Amount is 100% of the nominal value (i.e. par), the Early Redemption Amount is likely to be par (but consider). If, however, the Final Redemption Amount is other than 100% of the nominal value, consideration should be given as to what the Early Redemption Amount should be.)

GENERAL PROVISIONS APPLICABLE TO THE NOTES

22.	Form of Notes
-----	----------------------

(a) Form:

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

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

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

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

(b) New Global Note:

[Yes] [No]

23. Additional Financial Centre(s):

[Not Applicable/[]]

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

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

Signed on behalf of the Issuer:

[Signed on behalf of the Guarantor:

By:
Duly authorised

By:
Duly authorised]

PART B – OTHER INFORMATION

1. **Listing and Admission to Trading**
 - (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 []]
3. **Interests of natural and legal persons involved in the issue**

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

[Certain [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and or commercial banking transactions with, and may perform other services for, the Issuer [and the Guarantor] and [its/their] affiliates in the ordinary course of business.] []
4. **Indication of yield (Fixed Rate Notes only)**

[] [Not Applicable]
5. **Historic 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) Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s): [Not Applicable/[]]
- (d) Delivery: Delivery [against/free of] payment
- (e) Names and addresses of additional Paying Agent(s) (if any): []
- (f) Deemed delivery of clearing system notices for the purposes of Condition 15: Any notice delivered to Noteholders through Euroclear and/or Clearstream, Luxembourg will be deemed to have been given on the [] day on which Euroclear and Clearstream, Luxembourg are open for business after the day on which it was given to Euroclear and/or Clearstream, Luxembourg.
- (g) 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 deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]
- [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. Whilst the designation is specified as "no" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their

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

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 D] [TEFRA C] [TEFRA rules not applicable]

8. **Third Party Information**

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

TERMS AND CONDITIONS OF THE NOTES

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

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

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

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

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

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

As used herein, "**Tranche**" means Notes which are identical in all respects (including as to the Issue Date, listing and admission to trading) and subject to the same Final Terms and "**Series**" means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (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 Trust Deed, the Agency Agreement and the applicable Final Terms are available for inspection at the registered office of the Trustee, being at Fifth Floor, 100 Wood Street, London EC2V 7EX and at the specified office of each of the Paying Agents. If the Notes are to be admitted to trading on the regulated market of the Irish Stock Exchange, the applicable Final Terms will be published on the website of the Irish Stock Exchange through a regulatory information service. The Noteholders and the Couponholders (including the Book Entry Noteholders) are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Trust Deed, or, in the case of holders of Book Entry Notes, those of the provisions of the Trust Deed that are applicable to them and the Instrument, the Agency Agreement and the applicable Final Terms which are binding on them. These Terms and Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed.

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

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

1. Form, Denomination and Title

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

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

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

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

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

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

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

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

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

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

2. Status of the Notes

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

(a) In the case of Senior Notes

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

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

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

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

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

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

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

3. Negative Pledge

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

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

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

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

4. Status of the Guarantee

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

The obligations of the Bank under the Guarantee constitute:

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

5. Interest

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

(a) *Interest on Fixed Rate Notes*

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

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

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

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

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

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

In these Conditions:

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

- (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 Floating Rate Notes

(i) Interest Payment Dates

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

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

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

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

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

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

- (I) in any case where Specified Periods are specified in accordance with Condition 5(b)(i)(B) above, the Floating Rate Convention, such Interest Payment Date (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 a day which is both:

- (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 specified in the applicable Final Terms; and
- (2) 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 Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the "**TARGET2 System**") is open.

(ii) Rate of Interest

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

(iii) ISDA Determination for Floating Rate Notes

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

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

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

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

(iv) Screen Rate Determination for Floating Rate Notes

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

- (A) the offered quotation (if there is only one quotation on the Relevant Screen Page); or
- (B) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations, (expressed as a percentage rate per annum) for the Reference Rate(s) (being either LIBOR or EURIBOR, as specified in the applicable Final Terms) which appears or appear, as the case may be, on the Relevant

Screen Page (or such replacement page on that service which displays the information) as at 11.00 a.m. (London time) in the case of LIBOR, or Brussels time, in the case of EURIBOR (the "**Specified Time**") on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Agent. If five or more such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

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

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

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

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

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

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

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

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

(B) in the case of Floating Rate Notes in definitive form, the Calculation Amount,

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

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

(I) 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:

"**Y₁**" is the year, expressed as a number, in which the first day of the Interest Period falls;

"**Y₂**" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"**M₁**" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"**M₂**" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"**D₁**" is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D₁ will be 30; and

"**D₂**" 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 D₁ is greater than 29, in which case D₂ will be 30;

- (a) 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:

"**Y₁**" is the year, expressed as a number, in which the first day of the Interest Period falls;

"**Y₂**" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"**M₁**" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"**M₂**" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"**D₁**" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D₁ will be 30; and

"**D₂**" 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 D₂ will be 30; and

- (b) 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:

"**Y₁**" is the year, expressed as a number, in which the first day of the Interest Period falls;

"**Y₂**" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"**M₁**" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"**M₂**" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"**D₁**" 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 **D₁** will be 30; and

"**D₂**" 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 **D₂** will be 30.

(vii) Linear Interpolation

Where Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified as applicable in the applicable Final Terms) or the relevant Floating Rate Option (where ISDA Determination is specified as applicable in the applicable Final Terms), one of which shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period and the other of which shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period provided however that if there is no rate available for a period of time next shorter or, as the case may be, next longer, then the Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

"**Designated Maturity**" means, in relation to Screen Rate Determination, the period of time designated in the Reference Rate.

(viii) Notification of Rate of Interest and Interest Amount

The Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer, the Bank (when the Notes benefit from the Guarantee), the Trustee and any stock exchange on which the relevant Floating Rate Notes are for the time being listed and notice thereof to be published in accordance with Condition 15 as soon as possible after their determination but in no event later than the fourth London Business Day (as defined below) thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange on which the relevant Floating Rate

Notes are for the time being listed and to the Noteholders in accordance with Condition 15. For the purposes of this sub-paragraph (viii), the expression "**London Business Day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.

(ix) Determination or Calculation by Trustee

If for any reason the Agent at any time after the Issue Date defaults in its obligation to determine the Rate of Interest or calculate any Interest Amount in accordance with sub-paragraph (ii), (iii) or (iv) above, as the case may be, and, in each case, (vii) above, the Trustee shall determine the Rate of Interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the foregoing provisions of this Condition, but subject always to any Minimum or Maximum Interest Rate specified in the applicable Final Terms), it shall deem fair and reasonable in all the circumstances or, as the case may be, the Trustee shall calculate the Interest Amount(s) in such manner as it shall deem fair and reasonable in all the circumstances and each such determination or calculation shall be deemed to have been made by the Agent.

(x) Certificates to be Final

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5(b), whether by the Agent or the Trustee, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Bank (when the Notes benefit from the Guarantee), the Agent, the Trustee, the other Paying Agents and all Noteholders and Couponholders and (in the absence as aforesaid) no liability to the Issuer, the Bank (when the Notes benefit from the Guarantee), the Noteholders or the Couponholders shall attach to either the Agent or the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(c) *Accrual of Interest*

Each Note will cease to bear interest (if any) from the due date for its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue as provided in the Trust Deed or in the applicable Final Terms.

6. Payments

(a) *Method of Payment*

Subject as provided below:

- (i) payments in a Specified Currency other than Euro will be made by credit or transfer to an account in the relevant Specified Currency maintained by the payee with, or by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney or Auckland, respectively); and
- (ii) payments in Euro will be made by credit or transfer to a Euro account (or any other account to which Euro may be credited or transferred) specified by the payee or, at the option of the payee, by a Euro cheque.

(b) *Payments Subject to Fiscal and Other Laws*

Payments will be subject in all cases, but without prejudice to the provisions of Condition 8, to (i) any fiscal or other laws and regulations applicable thereto in any jurisdiction, and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**"), or otherwise

imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 8) any law implementing an intergovernmental approach thereto. Any such amounts withheld or deducted will be treated as paid for all purposes under the Notes, and no additional amounts will be paid on the Notes with respect to any such withholding or deduction.

(c) *Presentation of Notes and Coupons*

Payments of principal in respect of definitive Bearer Notes will (subject as provided below) be made in the manner provided in paragraph (a) above only against presentation and surrender of definitive Bearer Notes, and payments of interest in respect of definitive Bearer Notes will (subject as provided below) be made as aforesaid only against presentation and surrender of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia and its possessions)).

Fixed Rate Notes in definitive bearer form (other than Long Maturity Notes (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 8) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 9) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note in definitive bearer form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note or Long Maturity Note in definitive bearer form becomes due and repayable, all unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A "**Long Maturity Note**" is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

If the due date for redemption of any definitive Bearer Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant definitive Bearer Note.

Payments of principal and interest (if any) in respect of Notes represented by any bearer global Note will (subject as provided below) be made in the manner specified in paragraph (a) above and otherwise in the manner specified in the relevant bearer global Note against presentation or surrender, as the case may be, of such bearer global Note at the specified office of any Paying Agent outside the United States. A record of each payment made against presentation or surrender of such bearer global Note, distinguishing between any payment of principal and any payment of interest, will be made either on such bearer global Note by the Paying Agent to which it is presented or in the records of Euroclear and Clearstream, Luxembourg, as applicable.

Payments in respect of the Book Entry Notes will be made by transfer to the registered account of the Noteholders maintained by or on behalf of it with a bank that processes payments in Euro, details of which appear in the records of the relevant Affiliated Member of Interbolsa at the close of business on the Payment Business Day (as defined below) before the due date for payment of principal and/or interest.

"Payment Business Day" means a day which (subject to Condition 9):

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

Unless otherwise specified, the holder of a global Note (or, as provided in the Trust Deed, the Trustee) shall be the only person entitled to receive payments in respect of Notes represented by such global Note and the Issuer and the Bank (when the Notes benefit from the Guarantee) will be discharged by payment to, or to the order of, the holder of such global Note (or the Trustee, as the case may be) in respect of each amount so paid. Each of the persons shown in the records of Clearstream, Luxembourg or Euroclear as the beneficial holder of a particular nominal amount of Notes represented by such global Note must, unless the applicable Final Terms states otherwise, look solely to Clearstream, Luxembourg or Euroclear, as the case may be, for his share of each payment so made by the Issuer or the Bank (when the Notes benefit from the Guarantee) to, or to the order of, the holder of such global Note (or the Trustee, as the case may be). Unless otherwise specified or in the circumstances specified in the second paragraph of Condition 11, no person other than the holder of such global Note (or the Trustee, as the case may be) shall have any claim against the Issuer or the Bank (when the Notes benefit from the Guarantee) in respect of any payments due on that global Note.

Notwithstanding the foregoing, U.S. dollar payments of principal and interest in respect of Bearer Notes will be made at the specified office of a Paying Agent in the United States if:

- (A) the Issuer and the Bank (when the Notes benefit from the Guarantee) have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Bearer Notes in the manner provided above when due;
 - (B) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions; and
 - (C) such payment is then permitted under United States law without involving, in the opinion of the Issuer or the Bank (when the Notes benefit from the Guarantee), adverse tax consequences to the Issuer or the Bank (when the Notes benefit from the Guarantee).
- (d) *Payment Day*

If the date for payment of any amount in respect of any Note or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, unless otherwise specified in the applicable Final Terms, **"Payment Day"** means any day which (subject to Condition 9) is:

- (i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:
 - (A) in the case of Notes in definitive form only, the relevant place of presentation;
 - (B) each Additional Financial Centre specified in the applicable Final Terms; and
 - (ii) either (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.
- (e) *Interpretation of Principal and Interest*

Any reference in these Terms and Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

- (i) any additional amounts which may be payable with respect to principal under Condition 8 or pursuant to any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed;
- (ii) the Final Redemption Amount of the Notes;
- (iii) the Early Redemption Amount of the Notes;
- (iv) the Optional Redemption Amounts (if any) of the Notes;
- (v) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 7(g)); and
- (vi) any premium and any other amounts (other than interest) which may be payable by the Issuer or the Bank (where the Issuer is BCP Finance) under or in respect of the Notes.

Any reference in these Terms and Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 8 or pursuant to any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed.

7. Redemption and Purchase

(a) Redemption at Maturity

Unless previously redeemed or purchased and cancelled as specified below, each Note will be redeemed by the Issuer at its Final Redemption Amount specified in the applicable Final Terms in the relevant Specified Currency on the Maturity Date specified in the applicable Final Terms.

(b) Redemption for Tax Reasons

Subject to Condition 7(g), the Notes may be redeemed at the option of the Issuer (after obtaining the consent of the Bank of Portugal whenever it is required in the case of Subordinated Notes) in whole, but not in part, at any time (if this Note is not a Floating Rate Note) or on any Interest Payment Date (if this Note is a Floating Rate Note), on giving not less than the minimum period and not more than the maximum period of notice specified in the applicable Final Terms to the Agent and the Trustee and, in accordance with Condition 15, the Noteholders (which notice shall be irrevocable), if:

- (i) the Issuer satisfies the Trustee immediately prior to the giving of such notice that, on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8 or (when the Notes benefit from the Guarantee) the Bank would be unable for reasons outside its control to procure payment by the Issuer and in making payment itself would be required to pay such additional amounts, in each case as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in Condition 8) or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date of the first Tranche of the Notes; and
- (ii) such obligation cannot be avoided by the Issuer or, as the case may be, the Bank (when the Notes benefit from the Guarantee) taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or, as the case may be, the Bank (when the Notes benefit from the Guarantee) would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

Prior to the publication of any such notice of redemption as referred to in the previous paragraph, the Issuer shall deliver to the Trustee a certificate signed by two Directors of the Issuer or, as the case may be, two Directors of the Bank (when the Notes benefit from the Guarantee) stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer to so redeem have occurred, and an opinion of independent legal advisers of recognised standing to the effect that the Issuer or, as the case may be, the Bank (when the Notes benefit from the Guarantee) has or will become obliged to pay such additional amounts as a result of such change or amendment. The Trustee shall be entitled to accept such certificate and opinion as sufficient evidence of the satisfaction of such conditions precedent in which event they shall be conclusive and binding on the Noteholders and the Couponholders.

Subject as provided below with respect to Subordinated Notes issued by the Bank, Notes redeemed pursuant to this Condition 7(b) will be redeemed at their Early Redemption Amount referred to in paragraph (g) below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

In relation to any Series of Subordinated Notes issued by the Bank, the Notes may be redeemed at the option of the Issuer in whole, but not in part, at their Optional Redemption Amount as set out in the applicable Final Terms together with unpaid interest accrued to (but excluding) the date of redemption, at any time on the Issuer giving not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 15 (which notice shall be irrevocable) if, at any time after the Issue Date, the Issuer determines that it would not be entitled to claim a deduction in computing taxation liabilities in respect of the next interest payment to be made on the Notes or the value of such deduction to the Issuer would be reduced in either case as a result of any change in, or amendment to, the laws or regulations of any Tax Jurisdiction, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date of the Notes.

Prior to the publication of any such notice of redemption as referred to in the previous paragraph in respect of Notes other than Book Entry Notes, the Issuer shall deliver to the Trustee a certificate signed by two Directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer to so redeem (including those set out in Condition 7(k) below) have occurred. The Trustee shall be entitled to accept such certificate and opinion as sufficient evidence of the satisfaction of such conditions precedent in which event they shall be conclusive and binding on the Noteholders and the Couponholders.

(c) Redemption upon the occurrence of a Capital Event

In relation to any Series of Subordinated Notes issued by the Bank, the Notes may be redeemed at the option of the Issuer, in whole but not in part, at their Optional Redemption Amount as set out in the applicable Final Terms together with unpaid interest accrued to (but excluding) the date of redemption, at any time on the Issuer giving not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 15 (which notice shall be irrevocable), if, at any time after the Issue Date, the Issuer determines that there is a Capital Event.

Prior to the publication of any notice of redemption pursuant to this Condition 7(c) in respect of Notes other than Book Entry Notes, the Issuer shall deliver to the Trustee a certificate signed by two Directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer to so redeem (including those set out in Condition 7(k) below) have occurred. The Trustee shall be entitled to accept such certificate and opinion as sufficient evidence of the satisfaction of such conditions precedent in which event they shall be conclusive and binding on the Noteholders and the Couponholders.

For the purposes of these Conditions:

"Applicable Banking Regulations" means at any time the laws, regulations, requirements, guidelines and policies relating to capital adequacy then in effect in Portugal and applicable to the Bank, including, without limitation to the generality of the foregoing, those regulations, requirements, guidelines and policies relating to capital adequacy then

in effect of the Relevant Authority and/or any regulation, directive or other binding rules, standards or decisions adopted by the institutions of the European Union;

"Capital Event" means the determination by the Bank after consultation with the Relevant Authority that the Notes are not eligible for inclusion in whole or in part in the Tier 2 capital of the Group or the Bank pursuant to Applicable Banking Regulations (other than as a result of any applicable limitation on the amount of such capital as applicable to the Group or the Bank, as the case may be);

"Group" means together the Bank and its subsidiaries; and

"Relevant Authority" means the Bank of Portugal, the European Central Bank or such other authority (whether in Portugal or elsewhere) having primary responsibility for prudential supervision of the Bank.

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

This Condition 7(d) applies to Notes which are subject to redemption prior to the Maturity Date at the option of the Issuer (other than for taxation reasons), such option being referred to as an **"Issuer Call"**. The applicable Final Terms contains provisions applicable to any Issuer Call and must be read in conjunction with this Condition 7(d) for full information on any Issuer Call. In particular, the applicable Final Terms will identify the Optional Redemption Date(s), the Optional Redemption Amount(s), any minimum or maximum amount of Notes which can be redeemed and the applicable notice periods.

If Issuer Call is specified as being applicable in the applicable Final Terms, the Issuer may, having given not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms to Noteholders in accordance with Condition 15 (which notice shall be irrevocable and shall specify the date fixed for redemption)¹, redeem all or some only of the Notes then outstanding on the Optional Redemption Date(s) and at the Optional Redemption Amount(s) specified in the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date(s). Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Higher Redemption Amount, in each case as may be specified in the applicable Final Terms.

(e) Partial Redemption

In the case of a partial redemption of Notes, the Notes to be redeemed (**"Redeemed Notes"**) will be selected individually by lot without involving any part only of a Bearer Note, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of Clearstream, Luxembourg and/or Euroclear (to be reflected in the records of Clearstream, Luxembourg and/or Euroclear as either a pool factor or a reduction in nominal amount, at their discretion) not more than five days prior to the date fixed for redemption (such date of selection being hereinafter called the **"Selection Date"**). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 15 not less than five days prior to the date fixed for redemption. The aggregate nominal amount of Redeemed Notes represented by definitive Notes shall bear the same proportion to the aggregate nominal amount of all Redeemed Notes as the aggregate nominal amount of definitive Notes outstanding bears to the aggregate nominal amount of the Notes outstanding, in each case on the Selection Date, provided that such first mentioned nominal amount shall, if necessary, be rounded downwards to the nearest integral multiple of the Specified Denomination, and the aggregate nominal amount of Redeemed Notes represented by a global Note shall be equal to the balance of the Redeemed Notes.

In case of a partial redemption of Book Entry Notes the nominal amount of all outstanding Book Entry Notes will be reduced proportionally.

¹ When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 5 clearing system business days' notice for a call) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent or Trustee.

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

This Condition 7(f) applies to Notes which are subject to redemption prior to the Maturity Date at the option of the Noteholder, such option being referred to as an "**Investor Put**". The applicable Final Terms contains provisions applicable to any Investor Put and must be read in conjunction with this Condition 7(f) for full information on any Investor Put. In particular, the applicable Final Terms will identify the Optional Redemption Date(s), the Optional Redemption Amount(s), any minimum or maximum amount of Notes which can be redeemed and the applicable notice periods.

If Investor Put is specified as being applicable in the applicable Final Terms, upon the holder of any Note giving to the Issuer in accordance with Condition 15 not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms (which notice shall be irrevocable)², the Issuer will, upon the expiry of such notice, redeem such Note on the Optional Redemption Date and at the Optional Redemption Amount specified in the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date.

To exercise the right to require redemption of this Note the holder of this Note must deliver (i) (in the case of Notes in definitive form) a duly signed and completed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent or (ii) (in all other cases) a notice to the Paying Agent in accordance with the standard procedures of Clearstream, Luxembourg, Euroclear and/or Interbolsa or any common depositary, common safekeeper or custodian for them stating the principal amount of the Notes in respect of which such option is exercised (a "**Put Notice**") accompanied by, if the Note is in definitive form, the Note itself, to the specified office of any Paying Agent at any time within the notice period during normal business hours of such Paying Agent. No deposit of Notes will be required in respect of Book Entry Notes. In the Put Notice the holder must specify a bank account (or, if payment is by cheque, an address) to which payment is to be made under this Condition 7.

Any Put Notice given by a holder of any Note pursuant to this paragraph (f) shall be irrevocable except where prior to the due date of redemption an Event of Default shall have occurred and be continuing in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this paragraph (f) and instead to declare such Note forthwith due and repayable pursuant to Condition 10.

(g) *Early Redemption Amounts*

For the purpose of paragraph (b) above and Condition 10, the Notes will be redeemed at the Early Redemption Amount calculated as follows:

- (i) in the case of Notes with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof; or
- (ii) in the case of Notes (other than Zero Coupon Notes) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Notes are denominated, at the amount specified in the applicable Final Terms or, if no such amount or manner is so specified in the Final Terms, at their nominal amount; or
- (iii) in the case of Zero Coupon Notes, at an amount (the "**Amortised Face Amount**") calculated in accordance with the following formula:

$$\text{Early Redemption Amount} = \text{RP} \times (1 + \text{AY})^y$$

² When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 15 clearing system business days' notice for a put) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent or Trustee.

where:

"**RP**" means the Reference Price;

"**AY**" means the Accrual Yield expressed as a decimal; and

"**y**" is the Day Count Fraction specified in the applicable Final Terms which will be either (A) 30/360 (in which case the numerator will be equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue 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).

(b) Purchases

The Issuer, the Bank (when the Notes benefit from the Guarantee) or any other Subsidiary (as defined in the Trust Deed) of the Bank may at any time purchase Notes (provided that, in the case of definitive Bearer Notes, all unmatured Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. Such Notes may be held, reissued, resold or, at the option of the Issuer, the Bank (when the Notes benefit from the Guarantee) or the relevant Subsidiary, surrendered to any Paying Agent for cancellation.

(i) Cancellation

All Notes which are redeemed will forthwith be cancelled (together, in the case of definitive Bearer Notes, with all unmatured Coupons and Talons attached thereto or surrendered therewith at the time of redemption), in the case of Book Entry Notes in accordance with the applicable regulations of Interbolsa. All Notes so cancelled and any Notes purchased and cancelled pursuant to paragraph (b) above (together, in the case of definitive Bearer Notes, with all unmatured Coupons and Talons cancelled therewith) shall be forwarded to the Agent, save in the case of Book Entry Notes, and shall not be capable of being reissued or resold.

(j) Late Payment on Zero Coupon Notes

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to paragraph (a), (b), (c), (d), or (f) above or upon its becoming due and repayable as provided in Condition 10 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in sub-paragraph (g)(iii) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and repayable were replaced by references to the date which is the earlier of:

- (i) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and
- (ii) the fifth day after the date on which the full amount of the monies payable has been received by the Agent or the Trustee and notice to that effect has been given to the Noteholder either in accordance with Condition 15 or individually.

(k) Further Provisions Applicable to Redemption and Purchases of Subordinated Notes Issued by the Bank

The Bank shall not be permitted to redeem or purchase any Subordinated Notes issued by it prior to the Maturity Date unless the following conditions (in each case, if and to the extent then required by Applicable Banking Regulations) are satisfied:

- (i) the Bank has given any requisite notice to the Relevant Authority and has obtained the Relevant Authority's prior permission or non-objection to the redemption or purchase (as the case may be) of the Notes;
- (ii) such redemption or purchase (as the case may be) complies with Applicable Banking Regulations;
- (iii) in the case of any redemption of Notes pursuant to Condition 7(b) or Condition 7(c), the Bank has demonstrated to the satisfaction of the Relevant Authority (A) that the circumstances giving rise to the Capital Event or the right to redeem under Condition 7(c) were not reasonably foreseeable as at the Issue Date and, (B) in the case of Condition 7(b), that the change in the applicable tax treatment is material or, in the case of a Capital Event only, that the change in the applicable regulatory classification is sufficiently certain; and
- (iv) Notes may be purchased by the Bank prior to the fifth anniversary of the Issue Date only if then permitted by Applicable Banking Regulations and authorised by the Relevant Authority.

8. Taxation

All payments of principal and interest in respect of the Notes and Coupons by the Issuer or the Bank (where the Notes benefit from the Guarantee) will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any Tax Jurisdiction unless such withholding or deduction is required by law. In such event, the Issuer or, as the case may be, the Bank (where the Notes benefit from the Guarantee) will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Note or Coupon:

- (i) presented for payment by or on behalf of, a Noteholder or Couponholder who is liable for such taxes or duties in respect of such Note or Coupon by reason of his having some connection with a Tax Jurisdiction other than the mere holding of such Note or Coupon; and/or
- (ii) presented for payment by or on behalf of, a Noteholder or Couponholder who is able to avoid such withholding or deduction by making a declaration of non-residence or other claim for exemption to the relevant tax authority; and/or
- (iii) presented for payment by or on behalf of, a Noteholder or Couponholder in respect of whom the information and documentation (which may include certificates) required in order to comply with the special regime approved by Decree-Law 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 or Couponholder (A) in respect to whom the information and documentation required by Portuguese law in order to comply with any applicable tax treaty is not received by the Issuer or by the Portuguese Paying Agent directly from the Noteholders before the date by which such documentation is to be provided to the Issuer under Portuguese law, and (B) who is resident in one of the contracting states; and/or
- (v) presented for payment by or on behalf of, a Noteholder or Couponholder resident in a tax haven jurisdiction as defined in Ministerial Order No. 150/2004, of 13 February 2004 (except for jurisdictions with which Portugal has entered into a double tax treaty or a tax information exchange agreement in force), as amended from time to time, with the exception of central banks and governmental agencies of those blacklisted jurisdictions; and/or

- (vi) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 6(c)); and/or
- (vii) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; and/or
- (viii) where such withholding or deduction is required to be made pursuant to Sections 1471 through 1474 of the Code or any regulations or agreements thereunder, official interpretations thereof, or law implementing an intergovernmental approach thereto; and/or
- (ix) presented for payment by or on behalf of a Noteholder or Couponholder who would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent in a Member State of the European Union; and/or
- (x) except for Notes issued by BCP Finance, presented for payment into an account held on behalf of undisclosed beneficial owners where such beneficial owners are not disclosed for purposes of payment and such disclosure is required by law.

As used herein:

- (A) **"Tax Jurisdiction"** means the Cayman Islands or any political subdivision or any authority thereof or therein having power to tax (in the case of payments by BCP Finance) or Portugal or any political subdivision or any authority thereof or therein having power to tax (in the case of payments by the Bank) or, in either case, any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which BCP Finance or the Bank become subject in respect of payments made by it of principal and interest on the Notes and Coupons; and
- (B) the **"Relevant Date"** means the date on which such payment first becomes due, except that, if the full amount of the monies payable has not been duly received by the Agent or the Trustee on or prior to such due date, it means the date on which, the full amount of such monies having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 15.

9. Prescription

The Notes and Coupons will become void unless presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 8) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition 9 or Condition 6(b) or any Talon which would be void pursuant to Condition 6(b).

10. Events of Default

(a) *Events of Default relating to Senior Notes*

If the Notes are specified as Senior Notes in the applicable Final Terms and if any one or more of the following events (each an **"Event of Default"**) shall occur:

- (i) default is made for a period of 14 days or more in the payment of any principal or interest due in respect of the Notes or any of them after the due date therefor; or

- (ii) the Issuer or the Bank (when the Notes benefit from the Guarantee) fails to perform or observe any of its other obligations in respect of the Notes or under the Trust Deed or (in the case of Book Entry Notes) the Instrument and ((in the case of Notes other than Book Entry Notes) except where, in the opinion of the Trustee, such default is not capable of remedy where no such continuation or notice as is hereinafter referred to will be required) such failure continues for the period of 30 days (or (in the case of Notes other than Book Entry Notes) such longer period as the Trustee may permit) after notice has been given to the Issuer or, as the case may be, the Bank requiring the same to be remedied; or
- (iii) the repayment of any indebtedness owing by the Issuer or by the Bank (when the Notes benefit from the Guarantee) is accelerated by reason of default and such acceleration has not been rescinded or annulled, or the Issuer or the Bank (when the Notes benefit from the Guarantee) defaults (after whichever is the longer of any originally applicable period of grace and 14 days after the due date) in any payment of any indebtedness or in the honouring of any guarantee or indemnity in respect of any indebtedness provided that no such event referred to in this sub-paragraph (iii) shall constitute an Event of Default unless the indebtedness whether alone or when aggregated with other indebtedness relating to all (if any) other such events which shall have occurred shall exceed USD 25,000,000 (or its equivalent in any other currency or currencies) or, if greater, an amount equal to 1% of the Bank's Shareholders' Funds (as defined below); or
- (iv) any order shall be made by any competent court or an effective resolution passed for the winding-up or dissolution of the Issuer or the Bank (when the Notes benefit from the Guarantee) (other than for the purpose of an amalgamation, merger or reconstruction previously approved in writing by the Trustee, in the case of Notes which are not Book Entry Notes, or by an Extraordinary Resolution of the Noteholders); or
- (v) the Issuer or the Bank (when the Notes benefit from the Guarantee) shall cease to carry on the whole or substantially the whole of its business (other than for the purpose of an amalgamation, merger or reconstruction previously approved in writing by the Trustee, in the case of Notes which are not Book Entry Notes, or by an Extraordinary Resolution of the Noteholders); or
- (vi) the Issuer or the Bank (when the Notes benefit from the Guarantee) shall stop payment or shall be unable to, or shall admit inability to, pay its debts as they fall due, or shall be adjudicated or found bankrupt or insolvent by a court of competent jurisdiction or shall make a conveyance or assignment for the benefit of, or shall enter into any composition or other arrangement with, its creditors generally; or
- (vii) a receiver, trustee or other similar official shall be appointed in relation to the Issuer or the Bank (when the Notes benefit from the Guarantee) or in relation to the whole or a substantial part of the assets of either of them or a temporary manager of the Bank is appointed by the Bank of Portugal or an encumbrancer shall take possession of the whole or a substantial part of the assets of the Issuer or the Bank (when the Notes benefit from the Guarantee), or a distress or execution or other process shall be levied or enforced upon or sued out against the whole or a substantial part of the assets of either of them and in any of the foregoing cases it or he shall not be discharged within 60 days; or
- (viii) the Bank sells, transfers, lends or otherwise disposes of the whole or a substantial part of its undertaking or assets (including shareholdings in its Subsidiaries or associated companies) and such disposal is substantial in relation to the assets of the Bank and its Subsidiaries as a whole, other than selling, transferring, lending or otherwise disposing on an arm's length basis; or
- (ix) except where the Issuer has been substituted as principal debtor pursuant to Condition 18, the Issuer (where the Issuer is BCP Finance) ceases to be a Subsidiary wholly owned and controlled, directly or indirectly, by the Bank; or

- (x) (where the Issuer is BCP Finance and the Notes benefit from the Guarantee) the Guarantee is terminated or shall cease to be in full force and effect,

then,

- (A) in respect of Notes other than Book Entry Notes, the Trustee at its discretion may, and if so requested in writing by the holders of not less than one-quarter of the nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders shall (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction), give notice to the Issuer that the Notes are, and they shall accordingly thereby forthwith become, immediately due and repayable at their Early Redemption Amount (as described in Condition 7(g)) together with accrued interest (as provided in the Trust Deed) provided that, in the case of any such Events of Default other than those described in sub-paragraphs (i) and (iv) above, the Trustee shall have certified in writing to the Issuer that such Event of Default is, in its opinion, materially prejudicial to the interests of the Noteholders; and
- (B) in respect of Book Entry Notes, any Book Entry Noteholder may give notice to the Bank and to the Portuguese Paying Agent at their respective specified offices, effective upon the date of receipt thereof by the Portuguese Paying Agent, that the Book Entry Notes held by such Book Entry Noteholder(s) are, and they shall accordingly thereby forthwith become, immediately due and repayable at their Early Redemption Amount (as described in Condition 7(g)) together with accrued interest (as provided in the Instrument)).

As used above, "**Bank's Shareholders' Funds**" means, at any relevant time, a sum equal to the aggregate of the Bank's shareholders' equity as certified by the Directors of the Bank or in certain circumstances provided in the Trust Deed by the Auditors of the Bank by reference to the latest audited consolidated financial statements of the Bank.

(b) Events of Default relating to Subordinated Notes

- (i) This Condition 10(b)(i) applies only to Subordinated Notes issued by BCP Finance and in this Condition 10(b)(i) references to "Notes" and "Issuer" shall be construed accordingly. If the Notes are specified as Subordinated Notes in the applicable Final Terms and if any one or more of the following events (each an "**Event of Default**") shall occur:

- (A) 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
- (B) any order shall be made by any competent court or an effective resolution passed for the winding-up or dissolution of the Issuer or the Bank (other than for the purposes of an amalgamation, merger or reconstruction on terms previously approved in writing by the Trustee),

then, the Trustee at its discretion may, and if so requested in writing by the holders of not less than one-quarter of the nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders shall (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction), give notice to the Issuer that the Notes are, and they shall accordingly thereby forthwith become, immediately due and repayable at their Early Redemption Amount (as described in Condition 7(g)) together with accrued interest (as provided in the Trust Deed).

- (ii) This Condition 10(b)(ii) applies only to Subordinated Notes issued by the Bank and in this Condition 10(b)(ii) references to "Notes" and "Issuer" shall be construed accordingly. If the Notes are specified as Subordinated Notes in the applicable Final Terms and if any one or more of the following events (each an "**Event of Default**") shall occur:

- (A) 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
 - (I) in respect of Notes other than Book Entry Notes, the Trustee at its discretion may, and if so requested in writing by the holders of not less than one-quarter of the nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders shall (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction), without further notice, institute proceedings for the winding-up of the Issuer, but may take no other action in respect of such default; and
 - (II) in respect of Book Entry Notes, any Book Entry Noteholder may institute proceedings for the winding-up of the Issuer, but may take no other action in respect of such default;
- (B) any order shall be made by any competent court or an effective resolution passed for the winding-up or dissolution of the Issuer (other than for the purposes of an amalgamation, merger or reconstruction on terms previously approved in writing by the Trustee, in the case of Notes which are not Book Entry Notes, or by an Extraordinary Resolution of the Noteholders), then
 - (I) in respect of Notes other than Book Entry Notes, the Trustee at its discretion may, and if so requested in writing by the holders of not less than one-quarter of the nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders shall (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction), give notice to the Issuer that the Notes are, and they shall accordingly thereby forthwith become, immediately due and repayable at their Early Redemption Amount (as described in Condition 7(g)) together with accrued interest (as provided in the Trust Deed); and
 - (II) in respect of Book Entry Notes, any Book Entry Noteholder may give notice to the Issuer and to the Portuguese Paying Agent at their respective specified offices, effective upon the date of receipt thereof by the Portuguese Paying Agent that the Book Entry Notes held by such Book Entry Noteholder(s) are, and they shall accordingly thereby forthwith become, immediately due and repayable at their Early Redemption Amount (as described in Condition 7(g)) together with accrued interest (as provided in the Instrument).

11. Enforcement

In the case of Notes other than Book Entry Notes, the Trustee may, to the extent permitted by applicable law and subject to the provisions of Condition 10(b)(ii), at any time, at its discretion and without notice, take such proceedings and/or other action as it may think fit against or in relation to the Issuer or the Bank (when the Notes benefit from the Guarantee) to enforce the provisions of the Trust Deed, the Notes or the Coupons, but it shall not be bound to take any such action or any other proceedings to enforce the obligations of the Issuer or the Bank (when the Notes benefit from the Guarantee), as the case may be, in respect of the Trust Deed, the Notes or Coupons unless (a) it shall have been so directed by an Extraordinary Resolution of the Noteholders or requested in writing by the holders of at least one-quarter in nominal amount of the Notes then outstanding and (b) it shall have been indemnified and/or secured to its satisfaction.

In the case of Book Entry Notes, the Trustee may, to the extent permitted by applicable law and subject to the provisions of Condition 10(b)(ii), at any time, at its discretion and without notice, take such proceedings and/or other action as it may think fit against or in relation to the Bank to enforce the obligations of the Bank in respect of the covenants granted to the Trustee by the Bank under the Conditions or the Trust Deed; however the Trustee shall in no circumstances be bound to do so.

No Noteholder or Couponholder (in respect of Notes other than Book Entry Notes) shall be entitled to proceed directly against the Issuer or the Bank (when the Notes benefit from the Guarantee) unless the Trustee, having become bound to so proceed, fails to do so within a reasonable period and such failure is continuing provided that in the case of Book Entry Notes, the Trustee may not but the holders thereof may, to the extent permitted by applicable law and subject to the provisions of Condition 10(b)(ii), at any time take such proceedings against the Bank as they may think fit to enforce the provisions of the Book Entry Notes and/or the Instrument.

12. Form and transfer of Book Entry Note generally and replacement of Notes, Coupons and Talons

(a) Form and Transfer of Book Entry Notes generally

Notes held through accounts of Affiliate Members of Interbolsa will be represented in dematerialised book entry form ("*forma escritural*") and can be either "*nominativas*" (in which case Interbolsa, at the Issuer's request, can ask the Affiliated Members for information regarding the identity of the Noteholders and transmit such information to the Issuer) or "*ao portador*" (in which case Interbolsa cannot inform the Issuer of the identity of the Noteholders). Book Entry Notes shall not be issued in physical form, whether in definitive bearer form or otherwise. Book Entry Notes will be registered in the relevant issue account opened by the Issuer with Interbolsa and will be held in control accounts by the Affiliate Members of Interbolsa on behalf of the relevant Noteholders. Such control accounts will reflect at all times the aggregate number of Book Entry Notes held in the individual securities accounts opened by the clients of the Affiliate Members of Interbolsa (which may include Euroclear and Clearstream, Luxembourg). The transfer of Book Entry Notes and their beneficial interests will be made through Interbolsa.

(b) Replacement of Notes, Coupons and Talons

If any Bearer Note, Coupon or Talon shall become mutilated, defaced, destroyed, lost or stolen, it may be replaced at the specified office of the Agent upon payment by the claimant of the expenses incurred in connection with the replacement and on such terms as to evidence and indemnity and/or security as the Issuer may reasonably require. Mutilated or defaced Notes, Coupons or Talons must be surrendered before replacements will be issued.

13. Agent and Paying Agents

The names of the initial Agent and the other initial Paying Agents and their initial specified offices are set out below. If any additional Paying Agents are appointed in connection with any Series, the names of such Paying Agent will be specified in the applicable Final Terms.

The Issuer and the Bank (when the Notes benefit from the Guarantee) are, with the prior written approval of the Trustee, entitled to vary or terminate the appointment of any Paying Agent and/or appoint additional or other Paying Agents and/or approve any change in the specified office through which any Paying Agent acts, provided that:

- (a) so long as the Bearer Notes are listed on any stock exchange (or any other relevant authority), there will at all times be a Paying Agent (which may be the Agent) with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange (or any other relevant authority);
- (b) there will at all times be a Paying Agent with a specified office in a principal financial centre approved by the Trustee in continental Europe;
- (c) in the case of Bearer Notes, there will at all times be an Agent;
- (d) the Issuer undertakes that it will maintain a Paying Agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive.

In addition, the Issuer and the Bank (when the Notes benefit from the Guarantee) shall, with the prior written approval of the Trustee, forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in the final paragraph of Condition 6(b). Notice of any variation, termination, appointment or change in Paying Agents will be given to the Noteholders promptly in accordance with Condition 15.

Banco Comercial Português, S.A. will be the Paying Agent in Portugal in respect of Book Entry Notes.

In acting under the Agency Agreement, the Agent and the Paying Agents act solely as agents of the Issuer and the Bank (when the Notes benefit from the Guarantee) and, in certain circumstances specified therein, of the Trustee, and do not assume any obligation or relationship of agency or trust to or with the Noteholders or Couponholders, except that (without affecting the obligations of the Issuer and the Bank (when the Notes benefit from the Guarantee) to the Noteholders and Couponholders to repay Notes and pay interest thereon) any funds received by the Agent for the payment of the principal of or interest on the Notes shall be held by it on trust for the Noteholders and/or Couponholders until the expiry of the period of prescription specified in Condition 9. Each of the Issuer and the Bank (when the Notes benefit from the Guarantee) has covenanted with the Trustee in the Trust Deed to perform and observe the obligations imposed upon it under the Agency Agreement. The Agency Agreement contains provisions for the indemnification of the Paying Agents and for their relief from responsibility in certain circumstances and entitles any of them to enter into business transactions with either the Issuer or the Bank (when the Notes benefit from the Guarantee) and any of their Subsidiaries without being liable to account to the Noteholders or Couponholders for any resulting profit.

14. Exchange of Talons

On and after the Interest Payment Date, as appropriate, on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 9. Each Talon shall, for the purposes of these Terms and Conditions, be deemed to mature on the Fixed Interest Date or the Interest Payment Date (as the case may be) on which the final Coupon comprised in the relative Coupon sheet matures.

15. Notices

All notices regarding the Notes shall be valid if published in the *Financial Times* or another English language daily newspaper of general circulation in Ireland approved by the Trustee and (so long as the relevant Notes are admitted to trading on, and listed on the official list of, the Irish Stock Exchange), any notice shall also be published in accordance with any relevant listing rules. The Issuer and the Bank (when the Notes benefit from the Guarantee) shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any other stock exchange (or any other relevant authority) on which the Notes are for the time being listed. Any such notice will be deemed to have been given on the date of the first publication in all the relevant newspapers.

Until such time as any definitive Notes are issued, there may, so long as the global Note(s) is or are held in its or their entirety on behalf of Clearstream, Luxembourg and/or Euroclear, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to Clearstream, Luxembourg and/or Euroclear for communication by them to the holders of the Notes and, in addition, for so long as any Notes are listed on a stock exchange and the rules of that stock exchange (or any other relevant authority) so require, such notice will be published in a daily newspaper of general circulation in the place or places required by that stock exchange (or any other relevant authority). Any such notice shall be deemed to have been given to the holders of the Notes on such day as is specified in the applicable Final Terms after the day on which the said notice was given to Clearstream, Luxembourg and/or Euroclear.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together with the relative Note or Notes, with the Agent. Whilst any of the Notes is represented by a global Note, such notice may be given

by any Noteholder to the Agent via Clearstream, Luxembourg and/or Euroclear in such manner as the Agent and Clearstream, Luxembourg and/or Euroclear may approve for this purpose.

The Issuer shall comply with Portuguese law in respect of notices relating to Book Entry Notes.

16. Meetings of Noteholders, Modification and Waiver

The Trust Deed (in the case of Bearer Notes) and the Instrument (in the case of Book Entry Notes) contain provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of the provisions of the Notes, the Coupons or the Trust Deed. A meeting convened pursuant to the provisions of the Trust Deed, may be convened by the Issuer or the Bank (when the Notes benefit from the Guarantee) and shall be convened by the Issuer upon a requisition by Noteholders holding not less than one-tenth in nominal amount of the Notes for the time being remaining outstanding. A meeting convened pursuant to the provisions of the Instrument, may be convened by the Bank and should be convened by the Bank upon a requisition by Book Entry Noteholders holding not less than one-tenth in nominal amount of the Book Entry Notes for the time being remaining outstanding. The quorum at either of such meeting for passing an Extraordinary Resolution will be one or more persons holding or representing not less than a clear majority in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes or Coupons (including, amongst other things, modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes or Coupons) or certain provisions of the Trust Deed or the Instrument, as the case may be, the necessary quorum for passing an Extraordinary Resolution will be one or more persons holding or representing not less than two-thirds, or at any adjourned such meeting not less than one-third, in nominal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting, and on all Couponholders.

The Trust Deed provides that the Trustee may (in respect of Notes other than Book Entry Notes), without the consent of the Noteholders or Couponholders agree to any waiver or authorisation of any breach or proposed breach by the Issuer or the Bank (when the Notes benefit from the Guarantee) of, any of the provisions of these Terms and Conditions or of any of the provisions of the Trust Deed or may determine that any act, omission, event or condition which, but for such determination, would or might otherwise on its own or together with another act, omission, event or condition constitute an Event of Default (without prejudice to the rights of the Trustee in respect of any subsequent breach of any of the provisions of these Terms and Conditions or any of the provisions of the Trust Deed or any subsequent act, omission, event or condition) shall not be treated as such, which, in the opinion of the Trustee, is not materially prejudicial to the interests of the Noteholders (other than Book Entry Noteholders).

The Trust Deed provides that the Trustee may, without the consent of Noteholders or Couponholders (including in respect of Book Entry Notes) agree to any modification of the provisions of the Terms and Conditions or of any of the provisions of the Trust Deed or the Instrument, which, in the opinion of the Trustee, is not materially prejudicial to the interests of the Noteholders, or to any modification of any of these Terms and Conditions or any of the provisions of the Trust Deed or the Instrument which is of a formal, minor or technical nature or which is made to correct a manifest error. Any such modification, waiver, authorisation or determination shall be binding on the Noteholders and Couponholders and, unless the Trustee agrees otherwise, any such modification shall be notified to the Noteholders as soon as practicable thereafter in accordance with Condition 15.

In connection with the exercise by it of any of its trusts, powers, authorities or discretions (including, but without limitation, any modification, waiver, authorisation, determination or substitution), the Trustee shall have regard to the general interests of the Noteholders as a class but shall not have regard to any interests arising from circumstances particular to individual Noteholders or Couponholders (whatever their number) and, in particular, but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders and

Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer, the Bank (when the Notes benefit from the Guarantee) or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or Couponholders except to the extent already provided for in Condition 9 and/or any undertaking given in addition to, or in substitution for, Condition 8 pursuant to the Trust Deed.

17. Further Issues

The Issuer shall be at liberty from time to time without the consent of the Noteholders or the Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single Series with the outstanding Notes. The Trust Deed contains provisions for convening a single meeting of the Noteholders and the holders of notes of other Series in certain circumstances where the Trustee so decides.

18. Substitution

The Trustee may, without the consent of the Noteholders or the Couponholders (but, in the case of Subordinated Notes only, with the prior consent of the Bank of Portugal), agree with the Issuer and the Bank (when the Notes benefit from the Guarantee) to the substitution in place of the Issuer (or of any previous substitute under this Condition) as the principal debtor in respect of the Notes of either the Bank (where the Issuer is BCP Finance or another wholly-owned Subsidiary of the Bank) or a wholly-owned Subsidiary of the Bank, subject to:

- (a) where the new principal debtor is a wholly-owned Subsidiary of the Bank, the Notes being unconditionally and irrevocably guaranteed by the Bank acting through its Macao branch either on the same basis as that on which they were guaranteed immediately prior to the substitution (where, immediately prior to the substitution, the Issuer is BCP Finance and the Notes benefited from the Guarantee on issue or (being a previous substitute under this Condition 18) another wholly-owned Subsidiary of the Bank) or on an equivalent basis to that on which they would have been guaranteed immediately prior to the substitution had the Issuer been BCP Finance and the Notes benefited from the Guarantee on issue (where, immediately prior to the substitution, the Issuer is the Bank);
- (b) the Trustee being satisfied that the interests of the Noteholders will not be materially prejudiced by the substitution; and
- (c) certain other conditions set out in the Trust Deed being complied with.

19. Indemnification of Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility in certain circumstances including provisions relieving it from instituting proceedings to enforce repayment unless indemnified to its satisfaction. The Trustee is entitled to enter into business transactions with the Issuer and/or the Bank (when the Notes benefit from the Guarantee) or any of their Subsidiaries without accounting for any profit resulting therefrom and to act as trustee for the holders of any other securities issued by the Issuer or the Bank (when the Notes benefit from the Guarantee) or any Subsidiaries of the Bank.

20. Contracts (Rights of Third Parties) Act 1999

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Note, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

21. Governing law and submission to jurisdiction

- (a) The Trust Deed (except Clauses 2.8 and 7.8 insofar as they relate to Subordinated Notes), the Agency Agreement, the Notes (except Conditions 2(c) and 4(b)), the Coupons and any non-contractual obligations arising out of or in connection with the Trust Deed, the Agency Agreement, the Notes and the Coupons are governed by, and shall be construed in accordance with, English law save that, with respect to Book Entry Notes only, the form ("*representação formal*") and transfer of the Notes, creation of security over the Notes and the Interbolsa procedures for the exercise of rights under the Notes are governed by, and shall be construed in accordance with, Portuguese law. Clauses 2.8 and 7.8 of the Trust Deed (in so far as they relate to Subordinated Notes) and Conditions 2(c) and 4(b) are governed by, and shall be construed in accordance with, Portuguese law. In each case, the application of such governing law shall be without prejudice to the applicability, under the conflicts rules applicable in the relevant forum, in the light of such submission, of Cayman Islands law (in relation to matters concerning BCP Finance) or Portuguese law (in relation to matters concerning the Bank as an Issuer or as guarantor, as the case may be).
- (b) Each of BCP Finance and the Bank has in the Trust Deed irrevocably agreed, for the exclusive benefit of the Trustee, the Noteholders and the Couponholders that the courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Trust Deed, the Notes and/or the Coupons (including a dispute relating to any non-contractual obligations arising out of or in connection with the Trust Deed, the Notes and/or the Coupons) and that accordingly any suit, action or proceedings (together referred to as "**Proceedings**") arising out of or in connection with the Trust Deed, the Notes and/or the Coupons (including a dispute relating to any non-contractual obligations arising out of or in connection with the Trust Deed, the Notes and/or the Coupons) may be brought in such courts.
- (c) Each of BCP Finance and the Bank has in the Trust Deed irrevocably waived any objection which it may have now or hereafter to the laying of the venue of any such Proceedings in any such court and any claim that any such Proceedings have been brought in an inconvenient forum and has further irrevocably agreed that a judgement in any such Proceedings brought in the English courts shall be conclusive and binding upon it and may be enforced in the courts of any other competent jurisdiction. Nothing in this Condition 21 shall limit any right to take Proceedings in any other court of competent jurisdiction, nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction, whether concurrently or not.
- (d) Each of BCP Finance and the Bank has in the Trust Deed appointed the London Representative Office of Banco Comercial Português, S.A. at 3rd Floor, 63 Queen Victoria Street, London EC4V 4UA for the time being as its agent for service of process in England in respect of any Proceedings and has undertaken that in the event of it ceasing so to act it will appoint such other person as the Trustee may approve as its agent for that purpose.

USE OF PROCEEDS

The net proceeds from each issue of Notes will be applied by the relevant Issuer for the general corporate purposes, which include making a profit, of the Banco Comercial Português Group.

BCP FINANCE BANK, LTD.

Introduction

BCP Finance Bank, Ltd. ("**BCP Finance**") was incorporated, on 27 March 1998, as an exempted company for an unlimited duration and with limited liability under the Companies Law (2016 Revision) of the Cayman Islands, with the registered number 80648. BCP Finance holds a class B banking licence (number 98005) in the Cayman Islands pursuant to the Bank and Trust Companies Law (2016 Revision) and is regulated by the Cayman Islands Monetary Authority.

The Registered Office of BCP Finance is at 3rd floor, Strathvale House, 90 North Church Street, George Town, P.O. Box 30124, Grand Cayman KY1-1201, Cayman Islands. Its local Agent and Authorised Representative is Millennium bcp Bank & Trust ("**Mbcp B&T**"), at the same address and with the telephone and fax numbers (1) 345 815 0450 and (1) 345 949 7743, respectively. Both BCP Finance and Mbcp B&T are wholly-owned subsidiaries of Banco Comercial Português, S.A. ("**BCP**").

Board of Directors

- (a) The Directors of BCP Finance are as follows:

<i>Name</i>	<i>Position in BCP Finance</i>	<i>Principal activity outside</i>
Filipe Maria de Sousa Ferreira Abecasis	Chairman and Director	Senior Manager of BCP and Head of Planning, Research and ALM of BCP
Nuno Maria Lagoa Ribeiro de Almeida	Director	Director and General Manager of Mbcp B&T
Belmira Abreu Cabral	Director	Senior Manager of BCP and Head of Accounting of the BCP Group
José Carlos de Castro Monteiro	Director	Director and Senior Private Banker of Mbcp B&T
Alex Antonio Urtubia	Director	Director and IT and Resources Manager of Mbcp B&T

Mr. José Carlos de Castro Monteiro is the Secretary of BCP Finance and Mr. Alex Antonio Urtubia is the Assistant Secretary.

The business addresses of each of the Directors of BCP Finance are (i) in the case of Mr. Filipe Maria de Sousa Ferreira Abecasis, Banco Comercial Português, S.A., Avenida Professor Cavaco Silva, Edifício 2, Piso 1 C, 2740-256 Porto Salvo, Portugal and Ms. Belmira Abreu Cabral, Banco Comercial Português, S.A., Avenida Professor Cavaco Silva, Edifício 2, Piso 0 C, 2740-256 Porto Salvo, Portugal, and (ii) in the case of Mr. Nuno Maria Lagoa Ribeiro de Almeida, Mr. José Carlos de Castro Monteiro and Mr. Alex Antonio Urtubia, 3rd floor, Strathvale House, 90, North Church Street, George Town, P.O. Box 30124, Grand Cayman KY1-1201, Cayman Islands.

- (b) The Directors do not, and it is not proposed that they will, have service contracts with BCP Finance. No Director has entered into any transaction which is or was unusual in its nature or conditions or was significant to the business of BCP Finance since its incorporation. No Director or any connected person has any interests, whether or not held by a third party, in the share capital of BCP Finance. At the date of this document there were no loans granted or guarantees provided by BCP Finance to any Director of BCP Finance.

As at the date of this Offering Circular, the Directors have not received, nor is it intended that they should in the future receive, any remuneration for the provision of their services to BCP Finance.

Other than as stated above, no Director has any activities outside BCP Finance which are significant with respect to BCP Finance.

There are no potential conflicts of interest between the duties of the persons listed above to BCP Finance and their private interests or duties.

Audit

The internal audit function of BCP Finance is performed by BCP's Group Internal Audit.

Group's Risk Management

BCP's Board of Directors is responsible for the definition of the risk policy, including approval at the very highest level of the principles and rules to be followed in risk management and of the guidelines dictating the allocation of capital to the business.

The Board of Directors of BCP, through the Risk Commission that stems from its Executive Committee, ensures the existence of adequate risk control and of risk management systems at the level both of the Group and of each entity. The Board of Directors is also charged with approving the risk tolerance level acceptable to BCP and each entity, proposed by BCP's Executive Committee.

The said Risk Commission is responsible, at an executive level, for monitoring the overall levels of credit, market, liquidity and operational risk, ensuring its compatibility with the objectives, available financial resources and strategies that have been approved for the development of BCP's activity. Besides the Risk Commission other commissions connected to risk functions exist: the Pension Fund Risk Monitoring Commission, the Internal Control and Operational Risk Monitoring Commission and the Credit at Risk Monitoring Commission.

The Group's Chief Risk Officer is responsible for the risk control function for all Group entities, including the transversal monitoring and alignment of concepts, practices and objectives.

The risk management activities of every entity included within the BCP's consolidation perimeter are governed by the principles and decisions established centrally by the Risk Commission and the main subsidiaries are provided with Risk Office structures which are established in accordance with the risks inherent to their particular business. A Risk Control Commission has been set up at each relevant subsidiary, responsible for the control of risks at local level.

Activities

BCP Finance is a wholly-owned subsidiary of BCP (indirectly) and acts as an overseas finance vehicle of BCP and of the BCP Group, issuing Notes pursuant to the Programme.

According to its Memorandum of Association, article 3, *"the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by any law. Without prejudice to the foregoing generality, the objects for which the Company is established include the following:*

(i) *To carry on, in any part of the world, business as bankers, capitalists, financiers, promoters concessionaires and merchants, and to undertake, carry on and execute all kinds of financial, commercial, manufacturing, trading and other operation, and to carry on any business which may seem to be capable of being conveniently carried on in connection with any of these objects, or calculated directly or indirectly, to enhance the value of, or facilitate to realisation of, or render profitable, any of the property or rights of the Company;*

(ii) *To advance, deposit or lend money, securities and property, to or with such persons and on such terms as may seem expedient, to discount, buy, sell and deal in bills, notes, warrants, coupons, and other negotiable or transferable securities or documents, to issue, confirm, notify and advise letters of credit of any kind, whether revocable or irrevocable, to guarantee or become liable for the payment of money or for the performance of any obligations, to engage in exchange of foreign currencies;*

(iii) *To carry on the business of a trust company or corporation in all its branches, and, without limiting the generality of the foregoing words, to undertake and execute trusts of all kinds, whether private or public, and to undertake the office of and act as trustee, executor, administrator, manager, agent, attorney, nominee, delegate, substitute director, secretary, treasurer, registrar, paying agent, receiver, liquidator, or for any person or persons, company, corporation, government, state, colony, province, dominion, sovereign or authority, supreme, municipal, local or otherwise, and generally to undertake, perform and discharge any trusts or trust agency business, and any office of confidence, either solely or jointly with others."*

Share Capital

The existing issued ordinary shares of BCP Finance are not listed on any stock exchange and are not traded in any recognised market.

The authorised share capital of BCP Finance is USD 246,000,000 divided into 246,000,000 Ordinary Shares of USD 1.00 nominal value each, issued to BCP International B.V.

On 15 January 2010, BCP Finance carried out the conversion of its 31,500,000 Series A Floating Rate Non-Cumulative Non-Voting Preference Shares, of USD 1.00 nominal value each, into 31,500,000 Ordinary Shares of USD 1.00 nominal value each. This operation was duly authorised by the Cayman Islands Monetary Authority and the shares were fully subscribed and paid by the previous sole shareholder BCP Internacional II, Sociedade Unipessoal, S.G.P.S., Lda. (which, during 2010, changed its name to Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.).

BCP Finance is a wholly owned indirect subsidiary of BCP.

There are no arrangements in place from which a change of control of BCP Finance may result.

General

Deloitte & Touche, situated at One Capital Place, P.O.Box 1787, KY1-1109, Grand Cayman, Cayman Islands, are the auditors of BCP Finance having been appointed by the sole shareholder on 3 August 2016.

KPMG, situated at Century Yard, Cricket Square, George Town, P.O. Box 493, Grand Cayman KY1-1106, Cayman Islands were, up to the above referred date, the auditors of BCP Finance (having been appointed by the Board of Directors on 31 March 1998 and having audited all BCP Finance's annual reports including the two most recent ones for the years ended on 31 December 2014 and 31 December 2015). KPMG is a member of CISPA – Cayman Islands Society of Professional Accountants.

BCP Finance complies with the general provisions of Cayman Islands law on corporate governance.

BCP Finance has made no investments since the date of its last audited financial statements and has made no firm commitments on future investments.

There have been no recent events particular to BCP Finance which are to a material extent relevant to the evaluation of BCP Finance's solvency.

No trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on BCP Finance's prospects for the current financial year have been identified.

Other than the execution of any relevant subscription agreement, the Dealer Agreement and any amendments thereof, the Agency Agreement and any amendments thereof, the Trust Deed and the Notes under the Programme, BCP Finance has not entered into any contract outside the ordinary course of its business which could result in the Issuer being under an obligation or entitlement that is material to its ability to meet its obligations to the holders of the Notes issued under the Programme.

BCP FINANCE BANK, LTD.

**Statements of Comprehensive Income
for the years ended 31 December 2015 and 2014**

(Amounts expressed in thousands of USD)

(Audited)

	<u>2015</u>	<u>2014</u>
Interest income	18,752	36,473
Interest expense	<u>19,258</u>	<u>39,553</u>
Net interest income	<u>(506)</u>	<u>(3,080)</u>
Gains arising from trading and hedging activities	<u>6,242</u>	<u>8,290</u>
Total operating income	<u>5,736</u>	<u>5,210</u>
Losses arising from trading and hedging activities	4,558	6,509
Other administrative costs	135	98
Other operating expenses	113	113
Total operating expenses	<u>4,806</u>	<u>6,720</u>
Net income /(Loss) for the year	<u>930</u>	<u>(1,510)</u>
Other Comprehensive Income		
<i>Items that will not be reclassified to the income statement</i>		
Exchange differences arising on translation of retained earnings	(27,580)	(35,066)
Exchange differences arising on translation of fair value reserves	(56)	(624)
<i>Items that may be reclassified to the income statement</i>		
Changes in fair value reserves		
Financial assets available for sale	<u>(241)</u>	<u>(4,046)</u>
Other comprehensive (loss)/income.....	<u>(27,877)</u>	<u>(39,736)</u>
Total comprehensive (loss)/income for the year	<u>(26,947)</u>	<u>(41,246)</u>

BCP FINANCE BANK, LTD.

**Interim Condensed Statements of Profit and Loss and
Other Comprehensive Income for the six month periods
ended 30 June 2016 and 2015**

(Unaudited)

	<i>Jun 2016</i> <u>USD'000</u>	<i>Jun 2015</i> <u>USD'000</u>
Interest and similar income	10,750	8,853
Interest expense and similar charges	<u>(9,165)</u>	<u>(9,913)</u>
Net interest income	<u>1,585</u>	<u>(1,060)</u>
Gains arising from trading and hedging activities	<u>996</u>	<u>4,078</u>
Total net operating income	<u>2,581</u>	<u>3,018</u>
Losses arising from trading and hedging activities	(798)	(2,822)
Other administrative costs.....	(35)	(86)
Other operating expenses.....	(56)	(57)
Total operating expenses	<u>(889)</u>	<u>(2,965)</u>
Net profit for the period.....	<u>1,692</u>	<u>53</u>
Other Comprehensive Income.....		
<i>Items that might be subsequently reclassified to expenses and income</i>		
Exchange differences arising on translation of retained earnings	498	(20,194)
Exchange differences arising on translation fair value reserves.....	(1)	(42)
Changes in fair value reserves	<u>(132)</u>	<u>(121)</u>
Other Comprehensive Income/ (loss)	<u>365</u>	<u>(20,357)</u>
Total Comprehensive Income/ (loss) for the period	<u>2,057</u>	<u>(20,304)</u>

BCP FINANCE BANK, LTD.

Balance Sheets as at 31 December 2015 and 2014
(Amounts expressed in thousands of USD)

(Audited)

	<u>2015</u>	<u>2014</u>
Assets		
Loans and advances to credit institutions		
Repayable on demand	1,742	301
Other loans and advances	886,722	1,248,974
Financial assets held for trading	308	411
Financial assets available for sale	24	36
Hedging derivatives	1,256	3,234
Other assets	-	144
 Total Assets.....	<u>890,052</u>	<u>1,253,100</u>
 Liabilities		
Deposits from credit institutions.....	-	31
Debt securities issued	140,538	255,033
Financial liabilities held for trading	296	389
Subordinated debt	162,503	178,516
Other liabilities	30	48
 Total Liabilities	<u>303,367</u>	<u>434,017</u>
 Shareholder's Equity		
Share capital		
Ordinary shares	246,000	246,000
Share premium	315,000	315,000
Fair value reserves	247	544
Reserves and retained earnings	25,438	257,539
 Total Shareholder's Equity	586,685	819,083
 Total Liabilities and Shareholder's Equity	<u>890,052</u>	<u>1,253,100</u>

BCP FINANCE BANK, LTD.

**Interim Condensed Statements of Financial Position
as at 30 June 2016 and 30 June 2015
(Unaudited)**

	<i>Jun 16</i> <i>USD'000</i>	<i>Jun 15</i> <i>USD'000</i>
Assets		
Loans and advances to credit institutions		
Repayable on demand.....	5,075	1,289
Other loans and advances.....	899,673	1,144,629
Financial assets held for trading.....	192	540
Financial assets available for sale.....	25	31
Hedging derivatives	1,553	1,182
Other assets.....	77	74
 Total Assets	 <u>906,595</u>	 <u>1,147,745</u>
Liabilities		
Deposits from credit institutions.....	-	79
Debt securities issued	143,500	175,691
Financial liabilities held for trading.....	192	318
Subordinated debt.....	174,136	172,846
Other liabilities	25	32
 Total Liabilities	 <u>317,853</u>	 <u>348,966</u>
Shareholder's Equity		
Share capital		
Ordinary shares.....	246,000	246,000
Share premium.....	315,000	315,000
Fair value reserves.....	114	381
Reserves and retained earnings	<u>27,628</u>	<u>237,398</u>
 Total Shareholder's Equity	 588,742	 798,779
 Total Liabilities and Shareholder's Equity	 <u>906,595</u>	 <u>1,147,745</u>

BCP FINANCE BANK, LTD.

**Cash Flows Statements
for the years ended 31 December 2015 and 2014**

(Amounts expressed in thousands of USD)

(Audited)

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities		
Interest income received	18,677	46,040
Interest expense and commissions paid	(20,338)	(42,606)
Net cash flows from trading and hedging activities	2,604	2,428
Operating fees and other payments	(248)	(211)
 (Increase)/decrease in operating assets		
Loans and advances to credit institutions	362,041	1,771,324
 Increase/(decrease) in operating liabilities		
Deposits from credit institutions	(31)	(1,510,865)
Other liabilities	(18)	(30)
	<u>362,687</u>	<u>266,453</u>
Cash flows from financing activities		
(Repayment)/proceeds from issuance of debt securities	(112,569)	(210,097)
(Repayment)/proceeds from issuance of subordinated debt	(15,646)	(21,252)
Dividends paid	(205,451)	-
	(333,666)	(231,349)
 Exchange differences arising on translation of retained earnings at the year-end rates	(27,580)	(35,066)
Net (decrease)/increase in cash and cash equivalents	1,441	38
Cash and cash equivalents at the beginning of the year	301	263
 Cash and equivalents at the end of the year	<u>1,742</u>	<u>301</u>

BCP FINANCE BANK, LTD.

**Interim Condensed Statements of cash flows
For the six months periods ended 30 June 2016 and 2015**

(Unaudited)

	<i>Jun 2016</i> <i>USD'000</i>	<i>Jun 2015</i> <i>USD'000</i>
	<hr/>	<hr/>
Cash flows from operating activities		
Interest income received	10,754	10,451
Interest expense paid	(16,930)	(3,605)
Net cash flows from trading and hedging activities	77	2,072
Operating fees and other payments	(92)	(143)
 (Increase)/Decrease in operating assets		
Loans and advances to credit institutions	(5,698)	102,588
 Increase/(Decrease) in operating liabilities		
Amounts owed to credit institutions	-	47
Other liabilities	(105)	(17)
Other assets	2	-
	<hr/>	<hr/>
	(11,992)	111,393
	<hr/>	<hr/>
Cash flows from financing activities		
(Repayment)/proceeds from issuance of debt securities	3,172	(77,685)
(Repayment)/proceeds from issuance of subordinated debt	11,633	(12,526)
	<hr/>	<hr/>
	14,805	(90,211)
	<hr/>	<hr/>
Exchange differences arising on translation of retained earnings at the year-end rates.....	520	(20,194)
	<hr/>	<hr/>
Net increase in cash and cash equivalents.....	3,333	988
Cash and cash equivalents at the beginning of the period	1,742	301
	<hr/>	<hr/>
Cash and equivalents at the end of the period	5,075	1,289
	<hr/>	<hr/>

DESCRIPTION OF THE BUSINESS OF THE GROUP

1. Description of the Business of the Group

Overview

Millennium bcp Group (the "**Group**") is one of the largest privately owned banking groups (and the second largest overall) in Portugal by distribution network, total assets, loans to customers (gross, excluding off balance sheet securitisations) and customer funds, as at 30 June 2016 (based on data from the Bank of Portugal). The Group offers a wide range of banking products and related financial services, both in Portugal and internationally, namely demand accounts, instruments of payment, savings and investment products, mortgage loans, consumer credit, commercial banking, leasing, factoring, insurance, private banking and asset management, among others, and its customers are served on a segmented basis. Internationally, the Group has significant operations in Poland, Angola (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, the Group had, at 30 September 2016, total assets in the amount of EUR 73,042 million and total customer funds (including customer deposits, debt securities, asset management and capitalisation insurance) in the sum of EUR 63,354 million. Loans to customers (gross) amounted to EUR 52,610 million. According to the interpretation of the CRD IV/CRR, the CET 1 phased-in ratio pro forma reached 12.2% and the CET 1 fully-implemented ratio pro forma reached 9.5%, as at 30 September 2016³. Based on the latest available data from the Bank of Portugal, the Group accounted for 18% of loans to customers (gross) and 17.3% of deposits in the Portuguese banking sector on 30 June 2016.

In addition, on 30 September 2016, the Bank was the twelfth largest company listed on Euronext Lisbon in terms of market capitalisation (EUR 910 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

³ Calculated on the basis of Regulation No. 3/95 of the Bank of Portugal and Law No. 61/2014, of 26 August 2014.

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 Gdąński ("**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 return on equity ("ROE") minimum of 10% and a cost-to-income maximum of 50%, both from 2016 onwards; (v) implementation of a new approach in the asset management business by adopting an open-architecture distribution model, allowing for a wider range of customers' investment options; and (vi) continuation of the process of adjustment of the Bank's structure in the domestic market, in particular by optimising the number of branches and other areas of business support, highlighting the continuity of staff policies that adjust the staff to the demand for banking services. In particular, the agreement implies a reduction of about 25% of staff-related costs from December 2012 to December 2015 (an important part of this effort has already materialised in 2012 and 2013).

In addition, the Restructuring Plan underlines the significance of the strategic operations in Angola and Mozambique, which are important contributors to the strategy to support the business community and the net income of the Bank. Bank Millennium in Poland is considered a core operation, thus there 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. Occidental – 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. Gross proceeds raised by the Bank from the Placement are expected to be approximately PLN 1.24 billion (EUR 304 million), resulting in an increase in the Group CET 1 ratio versus end-2014 figures of 0.46% under fully-implemented rules and of 0.64% according to phased-in criteria. 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, which, according to the expected acceptance, is estimated to reinforce CET 1 ratios by approximately 0.70% when compared to December 2014. 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 basis⁴.

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 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 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, affiliate of Fosun, agreed to invest in BCP through a private placement of 157,437,395 new shares (the "**Reserved Capital Increase**").

⁴ 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.

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 abovementioned 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 authorization 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.

On 9 February 2017, BCP repaid the outstanding GSIs, in the amount of €700,000,000.

2. 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 phases of the Strategic Plan are the following:

Phase 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.

Phase 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.

Phase 3 (2016 to 2017): Sustained growth

- During the third phase, management will focus 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.

For the 2016-2018 triennial, the Bank defined a new 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 ("**Strategic Agenda**"). To this end, the Bank defined 9 pillars which include various initiatives to be developed. Over 100 employees are involved with the execution of the initiatives identified in the 2016-2018 Strategic Agenda.

In relation to BCP's business model, six transformation fronts were launched:

- (i) To redefine the retail distribution model, exploiting the potential of new technologies, namely in the digital area (internet banking and mobile banking, among others).
- (ii) To relaunch the affluent individuals segment, by adjusting the service model and taking up a position of leadership.
- (iii) To consolidate the position of leadership in providing support to micro businesses and small enterprises.
- (iv) To adjust the business model of the growth oriented corporate segment, in order to be the reference bank in providing support to the Portuguese economy.
- (v) To transform the credit recovery business through an integrated strategy of reduction of the Non Core Business Portfolio, which may include the divestment of assets and the optimisation of the recovery operating model.
- (vi) To 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 customers.

In order to transform the Bank into a healthier organisation and to increase involvement with its stakeholders, 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.

During Phase 3, management has been focusing on the renewal of the branch network, innovation and communication. The new initiatives developed within the scope of the 2016–2018 Strategic Agenda are already visible externally. Over 30% of the Mass Market and 46% of the Prestige Segment Branches had been renewed as at 30 June 2016. 26 branches have a new layout, providing a seamless digital experience for customers. Moreover, the digital platforms were improved with new functionalities, including online loan processes, opening of online accounts and a new mobile application for business customers, allowing them to manage projects funded with European funds.

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 22 March 2016, there were 17 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, Corporate, Companies Banking (North, Centre and South), Management Information, Companies Marketing Department (which acts as secretary), Real Estate Business Department, Specialised Recovery Department, Specialised Monitoring Department and International Strategic Research.

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, Residents Aboard Department, Retail Departments (North, Centre North, Centre South and South), 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, Segment Management Department, Retail Divisions, Retail Marketing (which acts as Secretary), Communication, Operations, Private Banking Marketing, Segments Management Direct Banking are part of this Sub-Commission, as well as, by invitation, other areas that are directly involved in the issues appraised.

- (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, Direct Banking are part of this Sub-Commission, as well as, by invitation other areas that are directly involved in the issues appraised.

- (f) **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 Officer 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.

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

Members of the Executive Committee (EC)	Coordination Manager/Other members
Compliance Commission of the Bank	
– José Iglésias Soares	– Group Head of Compliance (Secretary)
– José Miguel Pessanha	– Individual in charge of the Compliance
– Director responsible for the business, corporate or banking area, responsible for the issue under appraisal by the	Office Area that is managing the issue under debate
	– Head of the Division in charge of the

Commission	<p>issue under debate</p> <p>– By invitation, other areas that are directly involved in the issues appraised</p>
Compliance Commission of the subsidiary company/branch	
<p>In the Bank:</p> <p>– Director responsible for the Compliance Office</p> <p>– Director responsible for the international subsidiary company /branch</p> <p>In each international subsidiary company:</p> <p>– Director responsible for the Compliance Office</p>	<p>In the Bank:</p> <p>– <i>Group Head of Compliance</i></p> <p>– Individual in charge of the Compliance Office Area that is managing the issue under debate</p> <p>In each international subsidiary company:</p> <p>– Head of the Local Compliance Office</p> <p>– By invitation, other areas that are directly involved in the issues appraised</p>

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.

- (h) **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.

- (i) **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.

- (j) **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.

- (k) **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 (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.

- (l) **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.

- (m) **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 divestment 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 Officer, 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.

- (n) **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 Heads 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.

- (o) **Moving Forward Commission:** The main duties of this Commission are to monitor and ensure that the 2016-2018 Strategic Agenda is executed, in Portugal, as approved by the Board of Directors, to ensure that the metrics for the Strategic Agenda 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.

- (p) **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 José Miguel Pessanha, and may also include other members of the Executive Commission, depending on the projects or processes under appraisal. In addition, it is composed by Coordination Manager 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.

- (q) **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 Média – 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 2015, Bank Millennium began to implement its strategic plan for 2015-2017, announced in February 2015. The main medium-term objectives defined for 2017 are the following:

- Number of active Retail Customers at 1.6 million;
- Increase of market share in Retail customer funds to more than 6%;
- Increase of market share in loans to companies to 4%;
- ROE in the interval of 13%-14%;
- Cost-to-income in the interval of 45-47%; and
- Loans to deposits ratio at less than 100%.

The main initiatives, for the purposes of implementing the Bank's new strategic plan, aim to improve results by focusing on both the income and costs items in the Retail and Companies segments and are based on four pillars: (i) Acceleration of the acquisition of Retail Customers through the traditional and digital channels, while at the time maintaining the focus on products with a higher margin (consumer credit and investment products) in order to maintain the profitability of the segment; (ii) Maximise customer value and increase the efficiency in customer retention through advanced analytical methods; (iii) Maintain the momentum in the companies segment, by

maintaining profitability, reducing the cost of risk and reinforcing the Bank's positioning in specialised financing; and (iv) Maintenance of an operational excellence and rigorous cost control, through a simplified digital operational model, preparing the IT platform for the future.

The implementation of the Group's strategy in 2015 coincided with an unfavourable external environment, with emphasis on the strong appreciation of the Swiss franc, the further cut in Polish interest rates, the regulatory limits in commissions related with cards, the increase of the mandatory contribution and of the extraordinary payment towards the deposit guarantee fund and the creation of a new fund to support those borrowers with mortgage loans that are going through a difficult financial situation. In spite of these constraints, Bank Millennium managed to achieve significant financial results.

As at 30 September 2016, Bank Millennium had EUR 15,544 million in total assets, EUR 14,208 million in customer funds, and EUR 11,063 million in loans to customers (gross), and was operating with 381 branches and had 5,839 employees. Bank Millennium's net income in the nine months ended at 30 September 2016 was EUR 130.3 million, compared to EUR 112.8 million for the nine months ended at 30 September 2015.

As at 31 December 2015, Bank Millennium had EUR 15,534 million in total assets, EUR 14,047 million in customer funds, and EUR 11,218 million in loans to customers (gross), and was operating 411 branches and had 5,911 employees. Bank Millennium's net income in the year ended at 31 December 2015 was EUR 130.7million.

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.

Innovation and investment in primarily technological initiatives were present once again in 2015. In addition to enabling the provision of a larger and better offer to its customers, the strategy followed was also reflected in the improvement of operating efficiency, through a more controlled and efficient workflow. Millennium bim implemented various improvements in the mobile banking platform which has progressively offered an increasingly more complete and simple service to use for the customers. In particular, in the last quarter, Millennium IZI introduced a new transaction through which customers can transfer money to any mobile telephone number. This transaction allows the beneficiaries of these transfers, even those not having a prior account at Millennium bim or at any other credit institution, to easily create their Electronic Currency Account, the IZI Account.

At the end of the year, the Bank established an exclusive partnership with Correios de Moçambique (national postal service) to, supplementing the distribution of postal services, provide banking products and services at its branches, aimed at boosting the increased participation of the population in the banking system and consequent financial inclusion.

As at 30 September 2016, Millennium bim had EUR 1,675 million in total assets, EUR 1,172 million in customer funds, and EUR 964 million in loans to customers (gross), and was operating 173 branches and had 2,536 employees. Millennium bim's net income in the nine months ended at 30 September 2016 was EUR 51.8 million compared to EUR 42.5 million for the nine months ended at 30 September 2015.

As at 31 December 2015, Millennium bim had EUR 2,355 million in total assets, EUR 1,744 million in customer funds, and EUR 1,378 million in loans to customers (gross), and was operating 169 branches and had 2,505 employees. Net income of Millennium bim reached EUR 84.2 million in 2015.

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.

As at 31 December 2015, BMA had EUR 2,344 million in total assets, EUR 1,692 million in customer funds and EUR 996 million in loans to customers (gross), and was operating 90 branches and had 1,225 employees. BMA ended 2015 with a net income of EUR 75.7 million.

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 domiciliation of activities in Macao for business in Southern China, with the branch acting as a support base; (ii) expansion of the trade finance operations to support Portuguese enterprises in exports to and/or imports from China; (iii) support to Chinese customers in their application to obtain "Golden Visa" through the BCP Network; and (iv) launch of an internet banking solution aimed at expanding the services provided to its customers, especially non-residents.

Throughout 2015 the branch focused primarily on the provision of services to the Bank's networks through support to companies and individual customers, the attraction of Chinese customers for the "Golden Visa", the extension of the local customer base and the expansion of the activity surrounding the China-Macao-Portuguese speaking countries platform.

As at 30 September 2016, loans to customers and customer deposits amounted to EUR 544 million and EUR 863 million, respectively. Net income amounted to EUR 14.5 million.

In 2015, customer funds stood at EUR 1,024 million and gross loans reached EUR 613 million. During the year, net income was EUR 23.1 million (decrease of 2.9% in local currency; increase of 8.4% in EUR), which resulted from the release of provisions for general risks and by the recognition of deferred income relating to early repayments of loans.

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.

The decision of the National Bank of Switzerland to discontinue its exchange rate against the euro had a negative impact, in 2015, on assets under management and on the results of the Bank in both Swiss francs (−27.2%) and EUR (−16.9%), since income decreased when reported in Swiss francs and increased only slightly in EUR (−11.4% and +1.1%, respectively) and costs fell 3.3% in Swiss francs and increased by 10.4% in EUR.

In 2015, operating results fell 28% in Swiss francs and 17.8% in EUR, as a result of lower transaction activity and a further decrease in net interest income related to lower interest rates and credit volumes.

As at 30 September 2016, total assets amounted to EUR 565 million, total customer funds amounted to EUR 2,912 million and loans to customers (gross) stood at EUR 249 million, operating with one branch and 70 employees. Net income of Millennium Banque Privée reached EUR 4 million in the first nine months of 2016.

At the end of 2015 Millennium Banque Privée recorded EUR 525 million in total assets, EUR 207 million in loans to customers (gross) and EUR 2,639 million in total customer funds, operating with one branch and 71 employees. For the year ended 31 December 2015, Millennium Banque Privée in Switzerland recorded a net income of EUR 6 million.

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 September 2016, total assets amounted to EUR 726 million, total customer funds amounted to EUR 421 million and loans to customers (gross) stood at EUR 42 million. Millennium bcp Bank & Trust reported a net income of EUR 2.5 million in the first nine months of 2016.

At the end of 2015 Millennium bcp Bank & Trust recorded EUR 802 million of total assets, EUR 45 million of loans to customers (gross) and total customer funds of EUR 491 million, operating with 12 employees. In 2015, the Bank had a net income of EUR 4.9 million.

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 31 December 2014, Banco Sabadell held 5.53% of the share capital of the Bank.

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 informed to have 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 Eureka B.V.)

In 1991, the Group established strategic partnerships with two significant European insurance groups, Friends Provident and AVCB Averro Centraal Beheer. In 1992, Eureka Group was established as a pan-European insurance group, as a result of the association between the insurance groups Friends Provident, from the United Kingdom; AVCB Averro Centraal Beheer, from the Netherlands; Wasa, from Sweden; and the Danish financial group Topdanmark. In 1993, the Group, through its insurance holding Seguros e PensõesGere, SGPS, S.A. became the fifth partner in this pan-European strategic insurance alliance. Eureka Group's holding in the Bank is currently 2.52% of the share capital and inherent voting rights, held by Eureka B.V., following the sale during 2009 of a 4.55% holding in the Bank's share capital. Also, the total return swap entered into by Eureka B.V. with JPMorgan Chase Bank NA on 5 September 2007 was fully unwound and therefore the voting rights attached to the previous additional 2.88% stake in the Bank should no longer be attributed to Eureka B.V. Through its asset management subsidiary F&C, Eureka B.V. has established an exclusive distribution agreement affecting its asset management products through the Millennium bcp banking network in Portugal.

On 31 December 2010, the Bank announced that Bitalpart BV, a wholly-owned subsidiary of the Bank, had agreed on that date to sell a minority shareholding corresponding to 2.7% of the share capital of Eureka B.V. to the pension fund of the BCP Group.

Ageas

In 2005, the Group and Fortis (currently, Ageas) established a joint venture for bancassurance business, through the insurance company Millennium bcp Fortis (currently, Millenniumbcp Ageas). The Group holds 49% of Millenniumbcp Ageas' share capital, while the remaining 51% is held by Ageas. 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 Média - 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.

Sonangol and BPA

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. Gross proceeds raised by the Bank from the Placement are expected to be approximately PLN 1.24 billion (EUR 304 million), resulting in an increase in the Group CET 1 ratio versus end-2014 figures of 0.46% under fully-implemented rules and of 0.64% according to phased-in criteria. 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, which, according to the expected acceptance, is estimated to reinforce CET 1

ratios by approximately 0.70% when compared to December 2014. 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 basis⁵.

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".

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 eventual 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.

⁵ 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.

Recent 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 abovementioned 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 November 8, 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 2nd 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-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.

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 abovementioned 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 authorization 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 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). The decision is pending authorisation from the ECB.

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.

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, particularly in areas such as corporate banking, asset management, private banking and brokerage services, though some groups offer universal banking services and offer traditional retail banking as well.

Domestic banking penetration levels rank favourably on a comparable basis and branch network and automated channels are widely disseminated across the country. There has been significant development of remote access to banking services (ATM, home banking, and mobile banking) together with market intelligence techniques enabling

banks to accurately track customers' requirements and augment customer proximity. Cross-selling has benefited from the use of such techniques and has increased the proportion of banks' non-interest income over the years.

The growing maturity of the domestic market and globalisation trends led domestic banks to further develop their operations abroad, namely in countries with which Portugal had strong economic and historical relations. Hence, currently, the biggest domestic banking groups manage operations in European and African countries, which bear an increasing strategic relevance for their businesses.

The Portuguese Competition Authority ensures compliance with Portuguese competition rules, asserting regulatory powers over competition in all sectors of the economy, including regulated sectors in coordination with the relevant sector regulators. The Bank of Portugal is responsible for the prudential and market conduct supervision, ensuring the stability of the financial system as well as compliance with rules of conduct and transparency for banks' customers. National competition authorities and the EC have parallel competencies for enforcing European antitrust laws in close co-operation, and the EC imposes restrictions on aggressive commercial practices on recipients of State aid, such as the Bank.

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 Portuguese banks have rationalised their operating structures.

As at the end of 2015, 377 credit institutions, financial companies and payment institutions were registered in Portugal, of which 176 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 nearly 808 (Source: Bank of Portugal). Common indicators do not indicate levels of concentration significantly divergent from those of the Eurozone. For instance, as of 2014, the total asset share of the five largest credit institutions represented 69% for Portugal, which is above Germany's 32% but below Greece with 94%, Estonia with 90% and the Netherlands with 85% (for the euro area and EU27 is 47%) (Source: European Central Bank).

In Portugal, the Bank competes primarily with the four other major Portuguese banking groups: Caixa Geral de Depósitos, Novo Banco, Banco Santander Totta and Banco BPI. BCP's extensive distribution network, which is the second largest, has enabled it to maintain a reference position among its competitors.

According to system data from the Bank of Portugal, as at 30 June 2016, BCP had a market share of 18% 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 2016 and as at 31 December 2015 and 2014:

	<i>As at 30 June 2016</i>	<i>As at 31 December</i>	
		<i>2015</i>	<i>2014</i>
Loans to customers.....	18.0%	18.1%	18.9%

Sources: BCP, the Bank of Portugal.

The following table shows the number and geographic location of the Bank's branches as at 30 June 2016 and as at 31 December 2015 and 2014:

	<i>As at 30 June</i>	<i>As at 31 December</i>	
	<u>2016</u>	<u>2015</u>	<u>2014</u>
Portugal	646	671	695
Bank Millennium in Poland	392	411	423
Millennium bim in Mozambique	170	169	166
Banco Millennium Angola	0	90	88
Banca Millennium in Romania	0	0	0
Millennium Banque Privée in Switzerland	1	1	1
Total in the International activity	563	671	678
	<u>1,209</u>	<u>1,342</u>	<u>1,373</u>

The following table illustrates the competitive environment in Portugal for the two years ended 31 December 2015 and 2014:

	<i>As at 31 December</i>	
	<u>2015</u>	<u>2014</u>
Number of banks ⁽¹⁾	28	32
Number of branches	4,763	5,413
Population (thousands)	10,375	10,401
Inhabitants per branch	2,178	1,921
Branches per bank	170	169

Sources: Portuguese Banking Association and Portugal's National Statistics Institute.

(1) Banks associated with the Portuguese Banking Association.

The Bank is also subject to strong competition in the international markets in which it operates.

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 September 2016, Bank Millennium's market share in Poland, according to the Bank's estimates derived from data published by the National Bank of Poland, was 4.5% of loans to customers (gross) and 5.1% of deposits.

In Mozambique, Millennium bim is the market leader with a market share of 28.8% of loans to customers and 28.2% of deposits in September 2016, 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 9% 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*), the Portugal's National Statistics Institute (*Instituto Nacional de Estatística*), the National Bank of Poland, the Bank of Mozambique, the Bank of Angola and from other sources mentioned in this Offering Circular has been accurately reproduced and, so far as each 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 first nine months of 2016, the Portuguese banks continued to develop their activities within a particularly difficult context. The Portuguese economy continues to show moderate growth and the banks are operating within a context of very low interest rates, which exercise pressure on the financial margin. Moreover, the Portuguese Banks have a significant number of non productive assets in their balance sheets.

The 2016 and 2017 projections for the Portuguese economy of Banco de Portugal were both downgraded to 1.3% in 2016 and 1.6% in 2017. The GDP projection for 2018 is 1.5%. It is expected that, between 2016 and 2018, the contribution provided by net exports to GDP growth will increase in importance. Certain risks may compromise the increase of GDP in Portugal. Firstly, the deceleration of global economic activities may condition the Portuguese economy's external demand; in particular, it may condition demand from relevant commercial partners such as Angola or Brazil. Brexit also contributes to the increase in the risk of an economic deceleration in Portugal. Domestic demand may also be conditioned by the need for additional budgetary measures, since Portugal did not comply with the budgetary targets in 2015, within a context where the high levels of debt of the private sector may hinder investment, notwithstanding the potentially positive effects of the accommodative monetary policy practiced by the ECB.

On 29 April, DBRS maintained the credit rating attributed to the Portuguese Republic. The eligibility of the Portuguese public debt for the ECB's extended programme for the purchase of assets depends on this credit rating. In October 2016, DBRS maintained the Republic of Portugal's long term foreign and local currency issuer ratings at BBB (low) with a stable outlook. DBRS noted the possibility of a downgrade if there was a weakening in the political commitment to sustainable economic policies or deterioration in public debt dynamics.

According to Banco de Portugal, the funding operations of Portuguese banks with the ECB decreased to EUR 23.5 billion in September 2016. This is consistent with the general trend in place since the second half of 2013. These figures show an improvement in the liquidity position of domestic banks, which has benefited from a resilient performance from deposits, namely from individuals (2.5% increase by the end of September 2016, compared to the same period of last year). Moreover, the deleveraging of the Portuguese financial sector continues and the total loans to individuals and non-financial corporations decreased by 2.0% and 4.9%, respectively, in September 2016, compared to same period in 2015. The loan to deposit ratio of the Portuguese banking sector stood at approximately 101% at the end of the third quarter of 2016, compared to 128% at the end of 2012 and 158% at the end of 2010.

The credit granted by BCP continues to decrease, within a context of deleveraging of the non financial economic sectors, resulting in a lower search for credit. At the same time, deposits also continued to decrease since the Bank let go of some large institutional deposits that required high remuneration, complying with a policy for the preservation of the financial margin. As the commercial gap closes, BCP has also been reducing its funding from the ECB.

The maintenance of very low money market interest rates contributes to the decrease in the spread on term deposits of the Portuguese banks. This trend persists in 2016, more than offsetting the lower spreads in credit. By the end of 2015, the rates of the new term deposits reached values of approximately 40 basis points. The portfolio's average rate is expected to converge to these levels over the course of the following year.

The price effect on the financial margin is expected to continue to be positive overall, reflecting the improvement of the Client interests margin (differential between the credit global rate and the global rate at which the banks remunerate the deposits). Nevertheless, the continued reduction in the credit granted (volume effect) will probably continue to condition the financial margin.

The profitability of the Portuguese banks continues to be significantly conditioned by (i) reduced GDP growth, (ii) low inflation rates, (iii) interest rates at historically low levels for a time period much longer than was initially expected, (iv) credit contraction, reflecting the deleveraging process of the non financial private sector, which is slower within the current context of low interest rates, (v) recognition of significant amounts of impairments, and (vi) a limited reduction of operating costs in the whole system. The low profitability levels continue to limit the capacity to generate capital internally.

The Bank has a relevant exposure to Poland where risks related to legal changes exist, including the plan for banks to return the cost of excessive foreign exchange spreads they charged their clients such as loans denominated in CHF and the introduction of the new banking tax in February 2016, which could have an impact on the Bank's financial condition. Furthermore, the Bank faces risks relating to the economic environment of certain African countries, namely Angola and Mozambique, whose economic activity is decelerating and who have also been facing a significant depreciation of their currency since the beginning of 2016.

The expected improvement in core income⁶ as well as the continuation of the restructuring and reduction of costs should play a positive role and contribute to the improvement of the 2016 results, although conditioned by the economic context.

There is increasing focus on management of the stock of problematic assets and respective hedging levels. Measures should be adopted to foster the reduction of the stock of problematic assets, along 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 NPLs. Measures should also be adopted to remove restrictions in the legal, judicial and tax systems. The share capital increases recently announced by Banco Popular Español and by Popolare may indicate an intention to anticipate the provisioning for problematic assets and increase hedging by impairment. Antonio Costa, the Prime Minister of Portugal supports a systemic solution or so called "bad bank" solution to ease the pressure brought on the Portuguese banking system from non-performing loans as well as other non productive assets, including property.

It is not yet possible to determine the eventual impact that the resolution of BES may have on BCP, as an institution participating in the Resolution Fund created by Decree Law No. 31 A/2012, of 10 February. In 2015, the periodical contributions paid by the Bank to the Resolution Fund corresponded to about 20% of the total periodical contributions paid by the banking sector. The Resolution Fund owns in full Novo Banco's equity, valued at EUR 4.9 billion as at 31 December (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 from the mobilisation of resources available to the Resolution Fund).

The financial resources of the Resolution Fund may come (i) from contributions, initial and periodical, made by the participating institutions, (ii) from the proceeds of the contributions of the banking sector set forth by Law No. 55 A/2010, of 31 December and (iii) from the investment of resources. It may also be funded by extraordinary contributions made by participating institutions or by loans or guarantees provided by the State.

Accordingly, the eventual impact of the Novo Banco resolution on BCP shall depend on external factors for which BCP is not responsible, including the value for which Novo Banco is sold and the type or types for hedging the eventual financial needs of the Resolution Fund. Additionally, following a clarification of Banco de Portugal, the possible contributions of the Resolution Fund from participating banks will only be recorded when they are due and payable and the contribution to the Resolution Fund should be recognised as a cost only in the year that it is due and the payment occurs. Banco de Portugal further clarified that it is not foreseeable that the Resolution Fund will

⁶ **Core income** - net interest income plus net fees and commission income.

propose the creation of a special contribution to finance the resolution applied to Novo Banco. According to Banco de Portugal, the possibility for a special contribution would appear, therefore, remote.

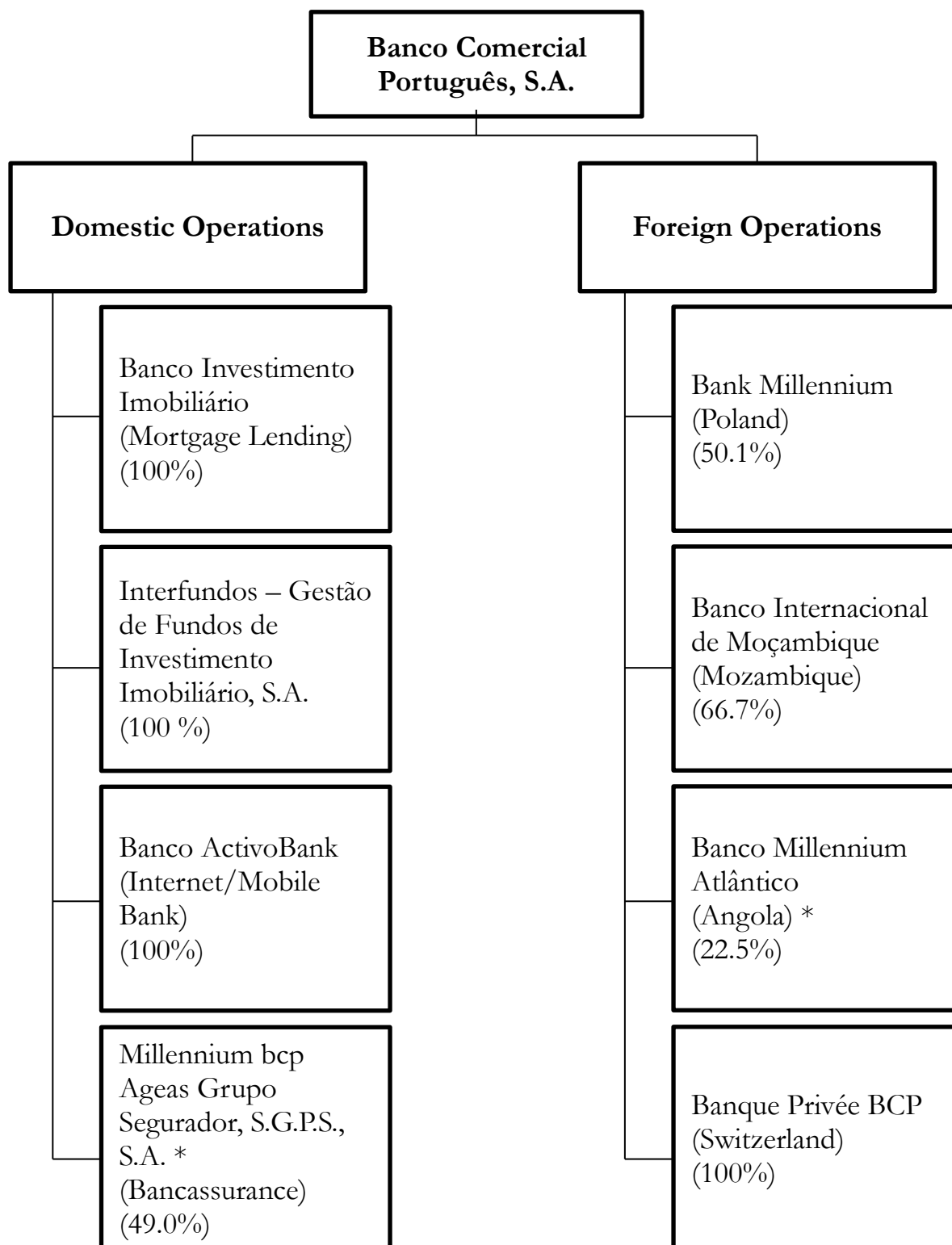
On 20 December 2015, the Portuguese government and Banco de Portugal resolved to sell the activity of BANIF and of the main portion of its assets and liabilities to Banco Santander Totta, under a resolution measure. This resolution measure, according to Banco de Portugal's press release on 20 December 2015, involves state aid of around EUR 2,255 million to cover future contingencies, of which EUR 489 million will be provided by the Resolution Fund and EUR 1,766 million directly by the State.

The BRRD foresees a joint resolution regime in the EU enabling 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 must comply with a MREL. This MREL, which became effective during 2016, involves a transition period and should have implications on the issuance of debt by banking institutions. It also implies the introduction of alterations in the liability structure through the issuance of new senior debt with some subordination structure or by strengthening the Tier 2. The issuance of AT1 instruments may only be considered since the total reimbursement of the GSIs and will require a framework still under discussion.

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 2016:



* 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 2016:

<i>Subsidiary companies</i>	<i>Head Office</i>	<i>Activity</i>	<i>% held by the Group</i>	<i>% held by the Bank</i>
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.....	Maputo	Banking	66.7	–
Moçambique, S.A.				
Interfundos - Gestão de Fundos de Investimento Imobiliários, S.A.	Oeiras	Investment fund management	100	100
Millennium bcp - Prestação de Serviços, A. C. E.	Lisbon	Services	93.7	83.2
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.

Except for the Rights Offering, 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, banking and commercial Portuguese laws on limited liability companies (*sociedades anónimas*) – notably by the Portuguese Companies Code – and, in particular, by the Banking Law (*Regime Geral das Instituições de Crédito e Sociedades Financeiras*), by the Portuguese Securities Code (*Código dos Valores Mobiliários*) and other complementary legislation.

In general terms, the Bank's activity as a credit institution is subject to the supervision of the Bank of Portugal, to the supervision of the Portuguese Securities 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.

20 members of the Board of Directors of the Bank were elected at the General Meeting of Shareholders held on 28 February 2012, for the 2012/2014 term of office. On 4 December 2012, due to the Bank's recapitalisation operation, the State appointed Mr. Bernardo de Sá Braamcamp Sobral Sottomayor and Mr. José Rodrigues de Jesus as its representatives in the Board of Directors of the Bank during the period of the State aid for strengthening own funds. Two members of the Board of Directors presented their resignation from their positions and the General Meeting of Shareholders of 30 May 2014 resolved to reduce the number of members of the Board of Directors from 22 to 20, with deferred and conditional effect, i.e. producing effects on 31 December 2014 if, until that date a co-optation or a replacement by other has not taken place. The reduction will be from 22 to 21 members if only one of the co-optations mentioned above occurs during that period.

On 15 October 2014, the Board of Directors co-opted Raquel Rute da Costa David Vunge as non-executive member of the Board of Directors to replace and fulfil the term of office of Mr. César Paxi Manuel João Pedro, who renounced to it. The co-optation was ratified at the General Meeting of Shareholders held on 11 May 2015.

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). The decision is pending authorisation from the ECB.

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:	<p>Álvaro Roque de Pinho Bissaia Barreto</p> <p>André Magalhães Luiz Gomes</p> <p>André Palma Mira David Nunes (Member appointed by the Portuguese government for the duration of the State aid to increase own funds)</p> <p>António Henriques de Pinho Cardão</p> <p>António Luís Guerra Nunes Mexia</p> <p>Cidália Maria Mota Lopes</p> <p>Jaime de Macedo Santos Bastos</p> <p>João Bernardo Bastos Mendes Resende (resignation dated 10 February 2017)</p> <p>João Manuel de Matos Loureiro</p> <p>João Nuno de Oliveira Jorge Palma (Member coopted on 9 January 2017. Awaiting authorisation from the ECB and Banco de Portugal for exercising his functions)</p> <p>José Jacinto Iglésias Soares</p> <p>José Miguel Bensliman Schorcht da Silva Pessanha</p> <p>José Rodrigues de Jesus (Member appointed by the Portuguese government for the duration of the State aid to increase own funds)</p> <p>Lingjiang Xu (Member coopted on 9 January 2017. Awaiting authorisation from the ECB and Banco de Portugal for exercising his functions)</p> <p>Maria da Conceição Mota Soares de Oliveira Callé Lucas</p> <p>Miguel de Campos Pereira de Bragança</p> <p>Miguel Maya Dias Pinheiro</p> <p>Raquel Rute da Costa David Vunge</p> <p>Rui Manuel da Silva Teixeira</p>

Positions held outside the Group by the Members of the Board of Directors that are relevant to the Group:

<u>Name</u>	<u>Position</u>	<u>Company</u>
António Vítor Martins Monteiro	Member of the Board of Directors	Banco Sabadell in representation of BCP, S.A.
	Non-executive member of the Board of Directors	SOCO International, Plc
Carlos José da Silva	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.
Nuno Manuel da Silva Amado	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)

Álvaro Roque de Pinho Bissaia Barreto	Chairman of the Board of Directors	and of the Specialised Standing Committee for Regional Development and Land Planning (CDROT) of the Conselho Económico e Social (CES) Tejo Energia - Produção e Distribuição de Energia Eléctrica, S.A.
	Non-executive director	Nutrinveste - Soc. Gestora de Participações Sociais, S.A. Prime Drinks, S.A.
André Magalhães Luís Gomes	Chairman of the Board of the General Meeting of Shareholders	
	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.
	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.
António Henriques de Pinho Cardão	Economist	
André Palma Mira David Nunes (1)	Partner	Raven Capital
	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. De Empreendimentos Turísticos, S.A.
	Vice-Chairman of the Executive	Associação Missão Crescimento

	Management	
	Chairman of the Audit Board	Associação Por Uma Democracia de Qualidade
António Luís Guerra Nunes Mexia	Chief 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.
	Chairman of the Board of Directors	Union of the Electricity Industry – Eurelectric AISBL (association)
Jaime de Macedo Santos Bastos	Chairman of the Board of Directors	Fundação EDP
	Statutory Auditor	Several companies
	Managing Partner	Chartered Accountants Company Kreston & Associados, SROC, Lda.
João Bernardo Bastos Mendes Resende	Member of the Advisory Board	Banco Sabadell - Urquijo Banca Privada
João Manuel de Matos Loureiro	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
José Jacinto Iglésias Soares	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. (in representation of BCP)
	Member of the General Board, in representation of Banco Comercial Português, S.A.	AEM-Associação de Empresas Emitentes de Valores Mobiliários Cotadas no Mercado
	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, representing Banco Comercial Português, S.A.
José Rodrigues de Jesus ⁽¹⁾	Single Auditor	Arlindo Soares de Pinho, Lda. Arsopi - Indústrias Metalúrgicas Arlindo S. Pinho, S.A. Arsopi - Holding, Sociedade Gestora de Participações Sociais, S.A. Calfor - Indústrias Metálicas, S.A. DIMO - Desenvolvimento Imobiliário e Construção, S.A. Divinvest - Promoção Imobiliária, S.A. Edemi Gardens - Promoção Imobiliária, S.A. Camilo dos Santos Mota, S.A. Oliveira Dias, S.A. IMOAGUEDA, SGPS, S.A. Mota-Engil, SGPS., S.A. Germen - Moagem de Cereais, S.A.
	Member of the Audit Board	

	Chairman of the Board of Auditors	Labesfal – Laboratórios Almiro, S.A. AGEAS Portugal – Companhia de Seguros de Vida, S.A. AGEAS Portugal – Companhia de Seguros, S.A.
Maria da Conceição Mota Soares de Oliveira Callé Lucas	Member of the Board of Directors	Banco Millennium Atlântico, S.A.
Miguel de Campos Pereira de Bragança	Manager	Quinta das Almoinhas Velhas-Imobiliária Lda.
	Member of the Board	Fundação da Casa de Bragança
Miguel Maya Dias Pinheiro	Member of the Senior Board	Alumni Clube ISCTE
	Vice-Chairman of the Board of Directors	Banco Millennium Atlântico, S.A.
Raquel Rute da Costa David Vunge	Member of the Board of Directors	Galp Energia, SGPS, S.A.
	Member of the Board of Directors	Banco Caixa Geral de Angola, S.A.
Rui Manuel da Silva Teixeira	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.
Lingjiang Xu	Chairman of the General Meeting	Associação Porto Business School
	Managing Director	Fosun Iberian Investment Department
	Non-executive member of the Board of Directors	Fidelidade – Companhia de Seguros S.A.
	Non-executive member of the Board of Directors	Luz Saúde, S.A.

(1) Director appointed by the Portuguese State for the period of enforcement of the public investment to strengthen own funds.

To the best of the Issuer's knowledge, no member of the Board of Directors of the Bank has any external activity relevant for the Bank other than the ones listed above.

For all the purposes resulting from the functions of the members of the Board of Directors, their professional domicile is at Av. Prof. Dr. Cavaco Silva (Parque das Tecnologias), Edifício 1, Piso 2, 2744-002 Porto Salvo.

Executive Committee

Under the terms of the law and of the Articles of Association of the Bank, the Board of Directors appointed an Executive Committee on 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
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 José Rodrigues de Jesus (Member appointed by the Portuguese government for the duration of the State aid to increase own funds)

Statements regarding the Members of Management and Supervision Bodies

To the best of the Issuer's knowledge and in its understanding, having made enquiries, there are no potential conflicts of interests between the duties of any member of the management and supervision bodies identified above towards the Issuer or towards any other Group company and his/her personal interests and duties. There are non-

executive members of the Board of Directors with functions in other financial institutions that can be considered competitors of the Bank. For this situation, the General Meeting of Shareholders held on 28 February 2012 resolved to authorise the presence of those members in the Board of Directors, which was also authorised in the General Meeting of Shareholders held on 11 May 2015 where 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.

Deloitte & Associados SROC, S.A. has issued a limited review report of interim condensed consolidated financial statements as at and for the nine months ended 30 September 2016. Deloitte & Associados SROC, S.A. has not performed any audit of the consolidated financial statements of the Bank, which is expected to be conducted with reference to 31 December 2016.

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-Éric 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. The Portuguese Banking System

History and Overview

Developments in markets and products offered

The deregulation of the Portuguese banking system began in 1984. As a result, private and foreign-owned banks were licensed to begin operations and compete with the 12 state-owned banks, mutual savings bank and three previously licensed foreign-owned financial institutions then operating in Portugal. Between 1985 and 1992, 19 private banks were incorporated in Portugal, of which six were originally Portuguese-owned commercial banks, five were Portuguese-owned investment banks and eight were foreign-owned commercial banks. In the second half of 1992, the Portuguese Government authorised the establishment of one Portuguese-owned investment bank, one Spanish-owned investment bank, as well as the transformation of several investment companies into five Portuguese-owned investment banks. These financial institutions began operating as investment banks during the first half of 1993. At the end of 2009, 67 banks were operating in the Portuguese banking market, of which 26 were non-domestic.

In 1989, the Portuguese government began implementing its banking privatisation programme. This programme was intended to increase the efficiency of the Portuguese financial system and stimulate the development of Portuguese capital markets. The implementation of this programme has enabled a rapid increase in the relative importance of the private sector within the banking industry. As part of this programme, the Portuguese Republic sold its holdings in Banco Totta & Açores, Banco Português do Atlântico, Banco Espírito Santo e Comercial de Lisboa, Banco Fonsecas & Bumay, Banco Pinto & Sotto Mayor and União de Bancos Portugueses. The Portuguese

Government also sold its holding in Crédito Predial Português, Portugal's second largest savings bank at that time, as well as its holdings in Banco de Fomento and Banco Comercial dos Açores. Banco Nacional Ultramarino has been integrated into the financial conglomerate led by Caixa Geral de Depósitos, a savings bank that is Portugal's largest financial institution in terms of assets as at 31 December 2015, and is expected to remain controlled by the Portuguese Government.

The privatisation programme pursued by the Portuguese Government fostered modernisation and a consolidation of the banking system during the second half of the 1990s. Portugal's participation as a founder of the third phase of the EMU greatly influenced the Portuguese financial system. Portugal's accession to the Eurozone had a significant impact on its financial system, as accession led to significant changes in Portugal's regulatory and supervisory framework and has resulted in the adoption of new market rules. Moreover, it contributed to a more competitive environment and thus, indirectly, influenced corporate strategies and the expectations of individual customers.

The Portuguese banking sector has been one of the most active in both domestic and cross-border mergers and acquisitions. After the privatisation of Portugal's leading commercial banks in the early 1990s, domestic consolidation in the banking industry intensified in the latter half of the 1990s, as banks sought to achieve economies of scale and realise operating synergies. Examples of this consolidation include the Bank's acquisition of Banco Português do Atlântico in 1995, and its acquisition of Banco Pinto & Sotto Mayor and Banco Mello in 2000. Growth through acquisition was thought to be important to achieve the necessary size to compete effectively in the emerging single European financial services market, affording stronger commercial capabilities and higher productivity levels, thereby diminishing potential vulnerabilities to approaches by larger European banks. Nonetheless, the market experienced severe instability; in particular, on 3 August 2014, pursuant to the decision by Banco de Portugal, a resolution measure was applied to Banco Espírito Santo, S.A., which gave origin to Novo Banco (the so-called "good bank" of former Banco Espírito Santo, S.A.) that was capitalised in the amount of EUR 4.9 billion. In addition, Banco de Portugal decided on 19 and 20 December 2015, to apply a resolution measure to BANIF. BANIF's business and most of its assets and liabilities have been sold to Banco Santander Totta. Novo Banco is under the remit of Fundo de Resolução and the sale process is ongoing, whereas BES is currently undergoing liquidation proceedings.

The Bank competes primarily with the other four major Portuguese banking groups: Caixa Geral de Depósitos, Novo Banco, Banco Santander Totta and BPI. The market share of the five major banking groups in Portugal has grown substantially since 1995. By the end of 2015, this market share exceeded 80% for gross loans to customers and 77% for customer funds for the Portuguese market.

Since 1996, there has been a significant expansion of personal financial services in the Portuguese banking market, resulting in the development of the mortgage credit market, consumer loans, investment funds and unit-linked products, and the increased use of credit cards. The Portuguese banking market is now mature, and includes strong domestic competitors that incorporate a multi-product, multi-channel and multi-client segmented approach. This has allowed Portuguese banks to tailor their financial products and services to customers' needs and to improve their commercial capabilities. In addition, there has been a significant development of internet banking operations and the use of new techniques, such as customer relationship management, which enables banks to accurately track customer requirements. Such techniques have benefited cross-selling initiatives and have increased the proportion of Portuguese banks' non-interest income in recent years.

The Portuguese banking system currently includes commercial banks, investment banks, savings banks, mutual credit institutions and agricultural credit cooperatives, credit financial institutions, investment companies, leasing companies, factoring companies and internet financial companies, including new players, such as Bankinter and Banco CIT, each of which competes with the Bank in attracting customer funds, granting loans and providing diversified financial services.

Developments in legislation and regulation

A comprehensive revision of existing legislation was carried out through an update of the Banking Law in December 1992. This revision set out the regulatory framework for universal banks which, as a result, started to

engage in a full range of banking activities, and abolished the traditional distinction between commercial and investment banks. In addition, any bank established in any Member State was permitted to establish a branch and provide services in any other Member State, while remaining subject to supervision and regulation by its country of origin. The regulations governing other credit institutions, such as mutual credit institutions, agricultural cooperatives, investment companies and leasing, factoring and consumer finance companies were also standardised.

In September 2002, the Banking Law was updated in order to revise the scope of activity for credit institutions and financial companies. Legislation also introduced a new category of credit financial institutions. The new legislation has also simplified the process of establishing credit institutions, especially in relation to entities based in the EU, and revised the prudential and supervisory rules. The Banking Law was further amended in October 2003, so as to include a legal framework for collective investment undertakings and their managing companies. In July 2006, the Banking Law received other alterations relating to the supplementary supervision of credit institutions, insurance companies and investment companies of a financial conglomerate and the establishment of a new organic structure for the committees dealing with financial services issues. Rules concerning access to and the exercise of the activities performed by credit institutions were also altered in April 2007. In October 2007, Directive 2004/39/EC ("**MiFID**"), which governs the exercise of the business of financial institutions, financial markets and associated trading systems, instituting greater competition between operators within Europe while strengthening the protection mechanisms for end investors, particularly through segmentation according to their degree of financial sophistication, and the Transparency Directive were implemented into Portuguese law.

In January 2008, the Banking Law was amended in order to grant Banco de Portugal the power to supervise the conduct of these entities. Since then, minor and significant amendments have been adopted by the Banking Law, which has been amended several times with respect to: personal and professional qualifications of the top management and credit policy to members of the Board of Directors (Decree-Law no. 126/2008); disclosure duties of banks towards customers in pre-contractual contacts and guarantee schemes (Decree-Law no. 211-A/2008 and Decree-Law no. 119/2011); transfers of funds to offshore jurisdictions and prohibition of credit to clients based in non-cooperative off-shore jurisdictions (Law no. 28/2009); limits to the capital of non-financial societies owned by banks (Decree-Law no. 162/2009); extension to the tax authorities and to judiciary authorities of exceptions to banks' duty of secrecy (Law no. 94/2009 and Law no. 36/2010); European payments system (Decree-Law no. 317/2009); qualified shareholdings and voting rights (Decree-Law no. 52/2010); oversight of investment funds (Decree-Law no. 71/2010); financial system risk assessment (Decree-Law no. 140-A/2010); compensation policy and risk evaluation (Decree-Law no. 88/2011); jurisdiction (Law 46/2011); credit institution restructuring rules (Decree-Law no. 31-A/2012); access to the activity by electronic money institutions, its exercise and prudential supervision (Decree-Law no. 242/2012); reinforcement of financial stability (Law no. 64/2012); EBAs competence (Decree-Law no. 18/2013); collective investment undertakings (Decree-Law no. 63-A/2013); resolution measures applicable to financial institutions (Decree-Law no. 114-A/2014 and Decree-law no. 114-B/2014); transposition of the CRD IV and the CRR (Decree-Law no. 157/2014); collective investments undertakings (Law no. 16/2015); transposition of the BRRD (Law no. 23-A/2015); commissions on deposits (Law no. 66/2015); resolution measures applicable to financial institutions (Decree-Law no. 140/2015); measures to promote the stability of the Portuguese financial system (Law no. 118/2015); legal framework applicable to "Caixas Económicas" (Decree-Law no. 190/2015); and voting caps (Decree-Law no. 20/2016).

The Basel framework

Basel II was implemented in stages throughout 2008 in the Member States. Basel II relates to the adequacy requirements in respect of own funds needed to provide for credit risks, creating a new basis for differentiation between credit institutions in order to evaluate counterparty risk. The creation of the Single Euro Payments Area in 2008 also promoted full harmonisation of the systems and transaction costs within the EU.

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

Common Equity Tier 1 capital (which does not include hybrid 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 solvency ratio will increase from 8.0% to 10.5% between 2016 and 2019. Additional changes include: (i) a progressive increase of the common equity ratio from 3.5% as of 1 January 2013 to 4.5% in 2015; (ii) a progressive increase in the Tier 1 ratio from 4.0% to 6.0% in 2015; (iii) an additional capital conservation ratio requirement of 2.5% over common equity, with a progressive implementation from 2016 to 2019, and application of restrictions on a bank's ability to pay dividends and make other payments if capital is lower than common equity and the capital conservation ratio; (iv) 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; and (v) the leverage ratio will be tested on a non-adjusted risk ratio of 3.0%.

On 17 May 2011, Banco de Portugal's Notice no. 3/2011 was published. This Notice (which has already been amended by Notices no. 8/2011 and 4/2012) established the obligation for Portuguese banks to have a Core Tier 1 level of at least 9% by 31 December 2011, and of at least 10% by 31 December 2012.

In addition, on 8 December 2011, the EBA recommended the temporary strengthening of capital requirements in accordance with the exposure of banks to sovereign debt. This recommendation was endorsed by Banco de Portugal, which, in line with the guidelines issued by the EBA, established in Notice no. 5/2012 that these additional requirements should be complied with by 30 June 2012. On 22 July 2013, the EBA issued a recommendation on the preservation of Core Tier 1 capital during the transition to the CRD IV CRR framework.

Under Notice no. 6/2013, which established how the transitional provisions of the CRR would apply to minimum capital requirements and the respective calculation, and pursuant to EU Regulation 575/2013, Banco de Portugal has established that banks shall permanently ensure the maintenance of a Common Equity Tier 1 capital ratio level of at least 7% and, between 1 January 2014 and 31 December 2014, a Tier 1 capital ratio level of 6%.

The Basel III framework also contains stricter requirements regarding the quality of capital that may count as Common Equity Tier 1 capital and the calculation of RWAs. Full implementation of Basel III is expected to occur by the beginning of 2019. Basel III recommendations also provide for short and long-term liquidity ratios and funding ratios, the LCR and NSFR, respectively. Implementation of the LCR is recommended to be carried out at 60% in 2015, with an annual 10% increase until it reaches 100% in 2019, in order to address the sufficiency of HQLAs to meet short-term liquidity needs in high stress scenarios, where the value of these assets may not be less than 100% (from 2019 onwards) of net outflows of cash flow for the 30 days following the relevant stress date. The NSFR, which is recommended to be implemented in 2018, seeks to establish a minimum amount of stable funding based on the liquidity features of assets of the relevant institution and its activities during the one-year period.

The Capital Requirements Directive and the Bank Recovery and Resolution Directive

In recent years, the European Parliament adopted a package of legislative measures relating to the EU crisis driven reform programme. This reform agenda, comprising a set of approximately 40 legislative proposals and accompanying institutional reforms, has led to a fundamental reconfiguration of the EU regulatory framework and of the architecture of supervision. The EU reforms were very broad-ranged and closely associated with the G20 reforms and to the BCBS proposals, as was the case of Directive 2013/36/EU of the European Parliament (the "**CRD IV**") and of the Council of 26 June 2013—and Regulation (EU) no. 575/2013 of 26 June 2013 (the "**CRR**"). CRD IV and the CRR aimed at increasing the level and quality of bank capital and setting minimum liquidity standards and introduced additional capital buffers for future periods of stress and specific capital requirements for systemically important banks to reduce systemic risk in the banking sector.

On 23 November 2014, Decree-Law No 157/2014, of 24 October 2014, entered into force, amending the Legal Framework of Credit Institutions and Financial Companies, and implementing CRD IV and CRR. See further "*European Regulatory Standards*" below.

On 15 May 2014, the European Parliament and the Council adopted Directive 2014/59/EU that established a framework for the recovery and resolution of credit institutions and investment firms and amended Council

Directive 82/891/EEC, and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, and 2012/30/EU, and Regulations (EU) no. 1093/2010 and (EU) no. 648/2012, of the European Parliament and of the Council (the ("**BRRD**") which represents the implementation of the "Minimum requirements to ensure loss absorbency at the point of non-viability" ("**MREL**") in the EEA pursuant to the Basel Committee press release issued on 13 January 2011.

The BRRD provides national authorities with common tools and powers to address banking crises pre-emptively, in order to safeguard financial stability and minimise taxpayers' exposure losses. The BRRD was implemented in Portugal through Law no. 23-A/2015, of 26 March (which amended the Banking Law).

The powers provided to resolution authorities in the BRRD include the comprehensive bail-in tool described under "*Framework for the recovery and resolution of credit institutions and investment firms*", as well as write down/conversion powers to ensure that capital instruments (including Additional Tier 1 and Tier 2 instruments, such as Subordinated Notes issued hereunder) and other eligible liabilities fully absorb losses at the point of non-viability of the issuing institution. Accordingly, the BRRD contemplates that resolution authorities may require the write down of such capital instruments and eligible liabilities in full or permanent basis, or convert them in full Common Equity Tier 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 in a way that results in (i) Common Equity Tier 1 instruments being written down first in proportion to the relevant losses and (ii) thereafter, the principal amount of other capital instruments being written down or converted into Common Equity Tier 1 on a permanent basis and (iii) thereafter, eligible liabilities being written down or converted in accordance with a set order of priority. The bail-in tool follows the 'no creditor worse off than under normal insolvency proceedings' principle.

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. Finally, 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.

Supervision and Regulation

System of Financial Supervision

Banco de Portugal is the central bank of Portugal and is a full member of the European System of Central Banks, which includes the ECB and the central banks of other Member States. Banco de Portugal participates in defining and implementing monetary and exchange rate policies with the European System of Central Banks. It is responsible for the stability of the financial system as a lender of last resort.

Council Regulation (EU) No. 1024/2013, of 15 October and Regulation (EU) No. 468/2014, of the European Central Bank, of 16 April 2014, set forth the legal framework applicable to the Single Supervisory Mechanism ("**SSM**"). The SSM, which entered into force on 4 November 2014, created a new system of financial supervision comprising the ECB and the national competent authorities of participating EU countries. From that date onwards, the ECB assumed the role of direct and indirect banking supervisor of significant and less significant banks (respectively) to ensure that the largest banks in Europe are independently supervised under common rules. The Bank has been considered a significant credit institution and it is, therefore, subject to the ECB's direct supervision.

According to this new supervisory system, the ECB has the authority to conduct supervisory reviews, on-site inspections and investigations, grant or withdraw banking licenses, assess bank's acquisition and disposal of qualifying holdings, ensure compliance with EU prudential rules and set higher capital requirements ("buffers") in

order to counter financial risks. Additionally, Banco de Portugal as the national macroprudential authority can establish risk buffers and impose specific transitional periods.

As of the date of this Offering Circular, the ECB directly supervises approximately 130 financial institutions, including (since 4 November 2014) the Bank, that are considered to be systemically relevant. 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.

Banks that are not considered significant credit institutions continue to be supervised by their national supervisors, in close cooperation with the ECB. Banco de Portugal maintains supervisory and regulatory powers over those banks and over non-deposit taking financial institutions operating in Portugal (with the exception of insurance companies and pension fund management companies, which are supervised and regulated by Autoridade de Supervisão de Seguros e Fundos de Pensões, and mutual fund management companies, which are supervised by the CMVM). Banco de Portugal is also responsible for establishing certain accounting guidelines applicable to Portuguese banks. The Governor and the members of the board of directors of Banco de Portugal are appointed by the Portuguese Government for a five-year term. Banco de Portugal establishes rules relating to solvency ratios, reserve requirements, the control of major risks and provisions for specific and general credit risks. It also monitors compliance with these rules through periodic inspections, the review of regularly filed financial statements and reports and a continuing assessment of adherence to current regulation, within the legal framework of the SSM. Infringements or violations of applicable regulations may give rise to warnings or penalties. See further "*The Single Supervisory Mechanism*" below.

Within the Single Resolution Mechanism ("SRM"), established by Regulation (EU) No 806/2014 of the European Parliament and of the Council of 15 July 2014, the SRB is the resolution authority within the Banking Union. Together with the National Resolution Authorities ("NRAs") of participating member states it forms the SRM, the second pillar of the Banking Union. For Portugal, the NRA is Banco de Portugal. The SRB's mandate is to ensure the orderly resolution of failing banks. If required, the SRB decides on the resolution of a failing or likely to fail bank, with the involvement of the EC and of the Council of the EU, while the NRA executes the resolution strategy. The SRB is also in charge of the SRF, which is financed by the banking sector, to ensure the availability of financial support to the application of resolution tools. It is up to the SRB to set the MREL in order to ensure banks are resolvable and to design the preferred resolution strategy to be applied to each bank. See further "*The Single Resolution Mechanism*" below.

Banking Law

The Banking Law, as subsequently amended, is the main legal framework regulating the activities of Portuguese banks and foreign banks established in Portugal, as well as certain other financial institutions.

The Banking Law harmonised Portuguese legislation with EC directives by replacing older rules and establishing a comprehensive regulatory framework. The main areas regulated by the Banking Law are: the authorisation required for establishing credit institutions in Portugal; the assessment of the suitability of qualifying shareholders; the assessment of the suitability and professional qualifications of the members of the management and auditing boards; the activities of Portuguese financial institutions in foreign countries; the operations of foreign financial institutions in Portugal; registration with Banco de Portugal; ethical rules and conflicts of interest; prudential and supervisory norms; own funds reserves requirements; corrective intervention, provisional management and resolution measures; the protection of customers and winding up of banks and the Deposit Guarantee Fund; the Investors Reimbursement System; investment activities and services, investment companies and management companies of investment funds, as well as the sanctions regime.

The gradual equalisation of the operating conditions of credit institutions based in Portugal with those prevailing in European countries, the adoption of EU Directives in Portugal with particular emphasis on matters such as the Deposit Guarantee Fund, customer information requirements, freedom of establishment, the regulation of the

provision of services in the insurance sector and the definition of the regulatory framework of financial companies led to the introduction of several changes to the regulations governing the Portuguese financial system.

To ensure greater uniformity and the transparency of the information provided by credit institutions regarding interest rates and loan costs, the disclosure of nominal and effective interest rates has been mandatory since 1994. Additional information must also be provided in credit agreements. Since 2007, certain rules concerning the early repayment commissions and the rounding of interest rates applicable to certain loans have also been in force.

With respect to the supervision of financial institutions, Banco de Portugal implemented rules dealing with internal control systems (Notice no. 5/2008 as amended by Notice no. 9/2012, which was amended by Notice no. 2/2014), which established minimum requirements in a variety of areas (including organisation, supervision, management information, credit, financial control and information technology). Decree-Law no. 157/2014, of 24 October (which amended the Banking Law) introduced special rules relating to the risk treatment by credit institutions, enhancing the importance of taking into account multiple risks, such as credit and counter-party risk, residual risk, concentration risk, securitisation risk, market risk, interest rate risk, operational risk, liquidity risk and excessive leverage risk.

Regarding large risks limits, the CRR sets out that an institution shall not incur an exposure to a client or group of connected clients, whose value exceeds 25% of the institution's eligible capital (or EUR 150 million, whichever is higher, when the counterparty is an institution). However, Notice no. 9/2014 of Banco de Portugal sets forth some exclusions to these limits. For example, intra-group risks, whenever the counterparty belongs to the consolidation perimeter of the credit institution, are excluded.

On 24 October 2014, Decree-Law 157/2014 introduced several amendments to the Banking Law. The main amendment was the adjustment (reduction) of the entities comprised in the concept of "credit institutions", changes in the corporate governance framework (mainly in relation to management and supervisory boards), risk management policies and revision of the sanctions regime.

On 26 March 2015, Law no. 23-A/2015 transposed into Portuguese law Directive 2014/49/EU (regarding deposit guarantee systems), which amended the Banking Law. This deals primarily with corrective measures, provisional management and resolution measures applicable to credit institutions.

Notice no. 5/2013 of Banco de Portugal entered into force on 16 February 2014, was amended by Notice no. 1/2014, and sets forth certain duties of banking entities and other entities, including duties of supervision, identification, special duties of care, diligence, control among others in connection with prevention of money laundering and terrorism financing (regulating Law no. 25/2008, of 5 June, as amended).

Notice no. 1/2016 of Banco de Portugal entered into force on March 2016 and implemented specific rules and procedures regarding the risk of exposure of credit institutions to the real estate market. For example, credit institutions are obliged to inform Banco de Portugal of their level of direct and indirect exposure to the risk associated with the real estate market concerning its activity in Portugal and abroad and may request the prorogation of the two year deadline for termination of such exposure, as defined in article 114 of the Banking Law.

The Portuguese Securities Market Commission

The CMVM is an independent public institution with administrative and financial autonomy, charged with supervising and regulating the securities and other financial instruments markets, as well as the activities of all market participants, including financial intermediaries and securities issuers.

The CMVM monitors the actions of individuals and entities operating in the capital markets in order to (i) detect unlawful acts, particularly in stock market trading; (ii) monitor regulatory compliance; (iii) detect criminal offences; (iv) punish infringers, namely through fines; (v) approve the registration of individuals and operations to check their compliance with applicable rules; and (vi) verify information disclosure, particularly that of listed companies, through its website. The CMVM also approves regulations and issues recommendations, including in respect of the corporate governance of listed companies.

The Portuguese Securities Code (*Código dos Valores Mobiliários*), approved by Decree Law no. 486/99, of 13 November 1999, as subsequently amended, is the main legal framework regulating the activities of financial intermediaries, as well as the securities and other financial instruments markets. It complies with the principles set forth in EU law, including Directive 2004/25/EC (on takeover bids) and MiFID.

European regulatory standards

Portugal became a member of the EU on 1 January 1986. Membership in the EU means that Portugal must comply with legislation that may either be in the form of regulations that are directly enforceable in any Member State, or in the form of directives addressed to the Member States that require the enactment of implementing legislation, but which in some instances, as determined by the EU Court of Justice, may be directly enforceable in a Member State. In addition, the EC and the Council issue non-binding recommendations to Member States. Portuguese authorities have introduced several EU directives and recommendations into legislation to adapt Portuguese law to European regulatory standards. The Parliament, the Government and Banco de Portugal have also adopted EU directives relating to capital and solvency ratios, the control of risk exposure, investment limits and other aspects relating to the creation and activities of credit institutions. In addition, a Deposit Guarantee Fund and an Investors Reimbursement System, as well as a national Resolution Fund have been established.

On 16 September 2009, the European Parliament and the Council adopted the Capital Requirements Directive II requiring multiple substantive changes in the Member States. Implementation of the Capital Requirements Directive II ("**CRD II**") occurred on 31 December 2012. The most important measures were:

- technical changes to capital requirements for the trading book, including credit risk mitigation (CRM) for counterparty credit risk;
- rules and regulations to strengthen the co-operation between supervisors in crisis situation and to strengthen the powers of (host) supervisors to collect information about systemically relevant branches of supervised financial institutions;
- improving the quality of firms' capital by establishing clear EU-wide criteria for assessing the eligibility of hybrid capital to be counted as part of a firm's overall capital. The proposals specify the features that hybrid capital must have regarding permanence, flexibility of payments and loss absorbency to be eligible as Tier 1 capital;
- enhancing the management of large exposures by restricting a firm's lending beyond a certain limit to any one party;
- further elaboration of the rules on liquidity risk management; and
- improving the risk management of securitisation, including a requirement to ensure that a firm does not invest in a securitisation unless the originator retains an economic interest.

The the Capital Requirements Directive III ("**CRD III**") amended Directive 2009/111/EC of the European Parliament and of the Council of 16 September 2009, amending Directives 2006/48/EC, 2006/49/EC and 2007/64/EC. It introduced a number of changes in response to the recent and current market conditions, including:

- strengthening the capital requirements for the trading book to ensure that a firm's assessment of the risks connected with its trading book better reflects the potential losses from adverse market movements in stressed conditions;
- limiting investment in re-securitisations and imposing higher capital requirements for re-securitisations to make sure that firms take proper account of the risks of investing in such complex financial products; and
- upgrading disclosure standards to increase market confidence.

CRD IV supplemented the two sets of revisions adopted or proposed (CRD II and CRD III), introducing stricter requirements on capital and new regulations on liquidity, thus increasing limitations and costs to banking activity.

CRD IV is the legal framework for the supervision of credit institutions, investment firms and their parent companies in all member states of the EU and the EEA, and is the basis of the Single Supervisory Framework. The CRD is published under reference number 2013/36/EU on 26 June 2013 in the Official Journal of the European Union and is in force as at 16 July 2013, while the supervised entities within its scope are subject to it as at 1 January 2014.

The other element of the CRD IV is the CRR. The CRR corresponds to Regulation (EU) no. 575/2013, also published on 26 June 2013 in the Official Journal of the EU, as amended by Commission Delegated Regulation (EU) 2015/62, of 10 October 2014 and by Regulation (EU) 2016/1014 of the European Parliament and of the Council, of 8 June 2016. It establishes prudential requirements for credit institutions and investment firms and amends Regulation (EU) no. 648/2012. The CRR sets forth uniform rules concerning general prudential requirements that institutions supervised under Directive 2013/36/EU shall comply with, in relation to the following items:

- own funds requirements relating to entirely quantifiable, uniform and standardised elements of credit risk, market risk, operational risk and settlement risk;
- requirements limiting large exposures;
- liquidity requirements relating to entirely quantifiable, uniform and standardised elements of liquidity risk;
- reporting requirements related to own funds requirements, requirements limiting large exposures, liquidity requirements and to leverage; and
- public disclosure requirements.

Within the same scope, the Directive 2013/36/EU of the European Parliament and of the Council, effective as of 17 July 2013, was transposed into Portuguese law by Decree Law 157/2014, of 24 October, which amended the Banking Law. The amendments introduced are related to:

- access to the activity of credit institutions and investment firms;
- supervisory powers and tools for the prudential supervision of institutions by competent authorities;
- the prudential supervision of institutions by competent authorities in a manner that is consistent with the rules set out in Regulation (EU) no. 575/2013; and
- publication requirements for competent authorities in the field of prudential regulation and supervision of institutions.

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 risk weighted assets. The main impact of CRD IV/CRR on consolidated capital ratios is related to DTAs, shortfall of provisions to expected losses, the pension fund corridor, minority holdings in consolidated subsidiaries, significant holdings in non-consolidated financial institutions and increased capital requirements for market and counterparty risks.

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).

CRD IV empowers the European Banking Authority to draw up regulatory technical standards that specify some of the aspects covered by the diplomas. Upon the respective adoption by the EC these norms are directly applicable under Portuguese law. 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.

As at 30 September 2016, the Bank's fully implemented CET 1 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 RWA calculations, which include a modification 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).

The majority (but not all) of the provisions of the CRD IV package, which includes CRD IV and the CRR, entered into force on 1 January 2014.

Full implementation of CRD IV/CRR is expected to occur by the beginning of 2018, with the exception of DTAs already recorded on balance sheet on January 2014, the subordinated debt and all the hybrid instruments not eligible to own funds, for which the transition period extends until the end of 2023 and 2021, respectively.

European System of Central Banks

The primary objective of the European System of Central Banks ("**ESCB**") and of the ECB is to maintain price stability. By assigning the primary responsibility for price stability to an independent bank, the treaty that constitutes the European community recognised that focusing monetary policy on the maintenance of price stability in the Eurozone ensures that it will make the best possible contribution to the broader economic objectives of the EU. Without prejudicing the primary objective of price stability, the ESCB may support the general economic policies of the EU, acting in accordance with the principle of an open market economy with free competition favouring an efficient allocation of resources.

Monetary policy instruments

In order to achieve its objectives, the Eurosystem has at its disposal a set of monetary policy instruments. The Eurosystem conducts open market operations, offers standing facilities and requires credit institutions to hold minimum reserves on accounts with the Eurosystem.

The most important instrument for open market transactions are reverse transactions, which are applicable on the basis of repurchase agreements or collateralised loans. Assets that are pledged to the Eurosystem as security for its central bank credit operations are called "eligible assets" or "collateral". To be accepted, these assets must be eligible (e.g., by having an investment grade rating). As a result of the EU financial crisis, a temporary waiver has been granted for Greek sovereign debt, which is rated as eligible regardless of its rating.

The list of eligible assets for the Eurosystem's credit operations has been available to the public since October 1998, and the list of counterparties eligible for the monetary policy operations of the Eurosystem has been established on the basis of common eligibility criteria, which includes all those institutions that are subject to minimum reserve requirements. These institutions are, in principle, eligible to access open market operations based on standard tender procedures and the standing facilities.

Minimum reserves

The ECB requires credit institutions established in Member States to hold minimum reserves. The minimum reserve system applied by the ECB is primarily intended to fulfil the following two monetary policy functions: the stabilisation of money market interest rates and the enlargement of a structural liquidity reserve within the banking system.

The reserve system functions as follows:

1. The reserve requirement applies to all credit institutions which are established in the Eurozone.
2. The reserve requirement of each individual credit institution is calculated by applying a reserve ratio set by the ECB, to its liabilities in the form of overnight deposits, deposits with an agreed maturity, debt securities issued and money market paper; liabilities *vis-à-vis* institutions subject to the Eurozone's minimum reserve system and liabilities *vis-à-vis* the Eurosystem not subject to reserve requirements.
3. A credit institution complies with its obligations under the minimum reserve system if its average daily reserve holdings in the reserve account at its national central bank for the maintenance period set by the ECB is at least equal to its reserve requirement.
4. The required reserve holdings are remunerated at a level corresponding to the average interest rate over the maintenance period of the main refinancing operations of the Eurosystem ("repo rate").
5. A credit institution may apply to the central bank of the Member State in which it is resident for permission to hold all its minimum reserves indirectly, through an intermediary.

The reserve ratio was 2% until January 2012. Since then, the ratio has been lowered to 1%.

Where an institution fails to comply with all or part of the reserve requirements, the ECB may impose sanctions based on the amount of the shortfall.

The legal framework for this system is laid down in Council Regulation (EC) No 2531/98 of 23 November 1998 concerning the application of minimum reserves by the European Central Bank and Regulation (EC) No 1745/2003 of the European Central Bank on the application of minimum reserves.

Open market operations

Open market operations are the main instrument used by the Eurosystem to steer interest rates, manage the liquidity situation in the market and signal the direction of its monetary policy. The majority of the Eurosystem's open market operations consist of repurchase agreements against eligible collateral. The two main types of open market operations are the main refinancing operations ("**MROs**"), which have a frequency and maturity of one week, and TLTROs, which have a monthly frequency and maturity of three months. Longer-term refinancing operations that are conducted at irregular intervals or with other maturities (e.g. the length of one maintenance period of six months, twelve months or thirty-six months) are also possible. In addition, the Eurosystem may conduct fine-tuning open market operations through reverse transactions, outright purchases and sales of assets, and the collection of deposits or foreign exchange swaps, as well as structural operations through the issuance of debt certificates, reverse transactions and outright transactions. While MROs and TLTROs are conducted through standard tenders, fine-tuning operations can be performed either through quick tenders or through bilateral procedures involving a limited set of counterparties. However, outright operations can be carried out only through bilateral transactions.

Furthermore, in pursuing its price stability mandate, the ECB Governing Council has decided measures to enhance the functioning of the monetary policy transmission mechanism by supporting lending to the real economy. In particular, the ECB Governing Council has decided to conduct a series of TLTROs aimed at improving bank lending to the Eurozone non-financial private sector, excluding loans to households for house purchase, over a window of two years.

Standing facilities

With regard to standing facilities, counterparties can use the marginal lending facility to obtain overnight liquidity against eligible assets and the deposit facility to make overnight deposits with the Eurosystem. Those standing facilities are available to eligible counterparties at their own initiative and without any restrictions. Under normal circumstances, the interest rates on the standing facilities form a corridor for the overnight market interest rate, with the marginal lending rate providing the ceiling and the deposit rate providing the floor.

Eligible assets for credit operations

The Eurosystem accepts a wide range of underlying assets for its credit operations. A distinction is made between two categories of eligible assets: marketable assets and non-marketable assets. The former consists of marketable debt instruments, which fulfil the uniform, area-wide eligibility criteria established by the ECB, while the latter comprises other marketable and non-marketable financial assets, which take into account the differences between the national financial and banking systems and for which eligibility criteria have been established by the national central banks, subject to the minimum eligibility criteria defined by the ECB. Non-marketable assets are not used by the Eurosystem for definitive transactions and comprise two specific types of assets: credit rights and non-marketable debt securities collateralised by private individual housing loans.

Since the onset of the financial crisis, the ECB Governing Council has adopted a series of non-conventional monetary policy measures to facilitate the regular funding of the banking system in the

Eurozone and eliminate the risk of a systemic liquidity crisis in the Eurozone, namely two long-term (three-year) refinancing operations at a fixed-rate with full allotment, in addition to the widening of the set of assets eligible as collateral for monetary policy operations. At its meeting of 8 December 2011, the ECB Governing Council decided that domestic central banks may accept additional bank loans, complying with specific eligibility criteria, as collateral for Eurosystem credit operations. At its meeting of 9 February 2012, the ECB Governing Council authorised the set of temporary measures proposed by Banco de Portugal, designed to broaden the range of bank loans accepted as collateral for Eurosystem lending operations. On September 2012, the ECB Governing Council announced the technical features regarding Eurosystem's outright transactions in secondary sovereign bond markets that aim to safeguard an appropriate monetary policy transmission and the singleness of the monetary policy, known as Outright Monetary Transactions (OMTs).

Emergency Liquidity Assistance

Eurozone credit institutions can also receive central bank credit exceptionally through emergency liquidity assistance (“ELA”), by means of provision of central bank money by a Eurosystem national central bank and/or any other assistance that may lead to an increase in central bank money to a solvent financial institution, or group of solvent financial institutions, facing temporary liquidity problems. Though the responsibility for the provision of ELA lies with the national central bank concerned, the ECB Governing Council can restrict ELA operations if it considers they interfere with the objectives and tasks of the Eurosystem.

Banking Union

At the Eurozone summit on 29 June 2012, the heads of Member States and governments called on the EC to present proposals regarding the stabilisation of the financial sector and to reverse the process of financial fragmentation. In September 2012, the EC issued Communication “A Roadmap towards a Banking Union” as part of a longer-term vision for economic and fiscal integration. The Banking Union aims to build an integrated financial framework to safeguard financial stability and minimise the costs of bank failures. The first step towards the

establishment of the Banking Union was the creation of the Single Supervisory Mechanism on November 2014, which assigns the role of direct banking supervisor to the ECB in order to ensure that the largest banks in Europe are independently supervised under common rules, followed by 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 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 DGSS.

The Banking Union is based on a comprehensive and detailed single rulebook for financial services. The EBA has the competence to further develop this single rulebook and monitor its implementation.

The Single Supervisory Mechanism

Council Regulation (EU) No.1024/2013, of 15 October 2013, 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 SSM created a new system of financial supervision comprising the ECB and the national competent authorities of participating EU countries. Among these EU countries are those whose currency is the euro and those whose currency is not the euro but who have decided to enter into close cooperation with the SSM. Specific tasks relating to the prudential supervision of credit institutions are assigned to the ECB.

In November 2014, the ECB assumed its new banking supervision responsibilities, under which it directly supervises significant credit institutions. Credit institutions are considered significant based on the total value of their assets, their importance for the economy of the country in which they are located or the EU as a whole, the significance of their cross-border activities, and whether they have requested or received public financial assistance from the ESM or the European Financial Stability Facility (EFSF). In each participating country, at least the three most significant credit institutions are subject to direct supervision by the ECB, irrespective of their absolute size.

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 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 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 P20 is not itself a breach of own funds requirements.

(v) The P2G is not 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 SSM 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 are responsible for planning and adopting resolution plans in respect of those banks for which the SRB is not directly responsible.

The Single Resolution Mechanism

The BRRD constitutes the single scheme for the resolution of banks and large investment firms in all 28 Member States. It sets new binding rules in order to reduce the risk that resolution of bank defaults be made via public funding at the expense of taxpayers, primarily by introducing the principle of bail-in so that shareholders and creditors will first be called upon to contribute to the resolution scheme in case of a bank failure. See further “*The Capital Requirements Directive and the Bank Recovery and Resolution Directive*” and “*Framework for the recovery and resolution of credit institutions and investment firms*” below. The main objective of the SRM is to ensure that potential future bank failures in the Banking Union are managed efficiently, with minimal costs to taxpayers and the real economy. The Single Resolution Board is in charge of the application of a resolution tool to a bank, while operationally the decision will be implemented in cooperation with national resolution authorities. Common resolution financing arrangements are provided at the level of the SRF.

The SRM implements the BRRD in the Eurozone by applying the substantive rules of the BRRD in a coherent and centralised way in order to ensure that, if a bank subject to the SSM faces serious difficulties, its resolution can be managed efficiently with minimal costs to tax payers, through the implementation of a single resolution process and support of the SRF if applicable. The SRM regulation has been applicable, together with the bail-in tool under the BRRD, since January 2016, except for some provisions which have been applicable since January 2015.

The main decision-making body of the SRM is the Single Resolution Board (“**SRB**”) which is responsible for:

- the planning and resolution phases of the Banking Union’s cross-border and large banks, which are directly supervised by the ECB; all resolution cases that require recourse to the SRF, irrespective of the size of the bank; and
- all banks in the Banking Union.

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:

- 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;
- 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**”));
- 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
- 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. During the first semester of 2016, the Group made a periodic EUR 21 million contribution to the SRE.

In accordance to Regulation (EU) No 806/2014 of the European Parliament and of the Council, the use of the Single Resolution Fund (“**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 Banco de Portugal’s Instruction No. 19/2015, of 29 December 2015, in 2016 Portuguese banks paid contributions to the Resolution Fund at a 0.02% base rate, which represents an increase from the previous rate of 0.015%. 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.

European Deposit Insurance Scheme

On 24 November 2015, the EC presented a legislative proposal for the EDIS to be built on the basis of existing national DOS, in three successive stages: a reinsurance scheme for participating national DGSs in a first period of three years, a co-insurance scheme for participating national DGSs in a second period of four years, and full insurance for participating national DGSs in the steady state.

The Single Resolution Board, which would be expanded to administer EDIS, would monitor national DGSs and release funds only where clearly defined conditions are met. Features of the EDIS proposal, such as an impact assessment on EDIS from the EC as well as concrete steps in the area of risk reduction, still need further development.

Framework of the regulatory requirements

History and overview

Portuguese banks are subject to solvency ratio requirements. These requirements conform to the EC directives establishing common standards for the measurement of capital and a system for weighting assets according to credit risk with the requirement that, since 31 December 1992, all credit institutions have to maintain capital of at least 8% of RWAs.

Within the scope of Council Directive no. 89/299/CEE of 17 April 1989, the Ministry of Finance issued Notice no. 9/90 defining own funds of financial institutions. This notice was replaced by Notice no. 12/92 of the Ministry of State and Finance and the latter was replaced by Notice no. 6/2010 of Banco de Portugal, which was subsequently amended by Notices no. 7/2011, 2/2012 and 3/2013.

On 15 November 1990, the Ministry of Finance issued Notice no. 12/90, defining the calculation of capital requirements for credit risk and creating the solvency ratio, which should reach at least 4% by 31 December 1990, 6% by 31 December 1991 and 8% by 31 December 1992. This notice was replaced by Notice no. 1/93 of the Ministry of State and Finance and the latter was replaced by Notice no. 5/2007 of Banco de Portugal, which was subsequently amended by Notices no. 14/2007, 8/2008, 1/2009, 8/2010, 2/2011, 6/2011, 9/2011, 8/2012, 2/2013 and 4/2013. Notice no. 5/2007 was revoked by Notice no. 5/2016, of 2 May, with effect from 30 June 2016 onwards, due to the fact that the capital requirements for risk credit and the solvency ratio requirements are now set forth by the CRR, which is directly applicable under Portuguese law since January 2014.

In November 1994, the Ministry of Finance issued Notice no. 10/94, establishing the large risk's framework. This notice was replaced by Notice no. 6/2007 of Banco de Portugal and the latter was replaced by Notice no. 7/2010. In December 1996, the Ministry of Finance issued Notices nos. 7/96 and 8/96, subsequently replaced by Notices no. 7/2007 and 8/2007 of Banco de Portugal, which were amended by Notices no. 8/2008, 8/2010 and 9/2011, which introduced measures relating to market-risk coverage (position, underwriting and settlement), the calculation of own funds required to cover market risks and alterations to the rules for the calculation of major risks linked to trading portfolios, in keeping with Council Directive 93/6/EEC of 15 March 1993 ("**Capital Adequacy Directive**"). The Capital Adequacy Directive established the conditions for protection against losses or capital losses on securities portfolios via total capital. It also covered other losses related to trading activities, currency operations and the provision of securities services, in addition to the portfolio position, risks of physical and financial settlement, exchange rates and major credit exposures. Notice no. 6/2007 was revoked by Notice no. 5/2016, of 2 May, with effect from 30 June 2016 onwards, due to the fact that the capital requirements for risk credit and the solvency ratio requirements are now set forth by the CRR.

The regulation of market risk is approached in a comprehensive manner, reflecting a desire to limit exposure to market risks in areas not covered by total capital, prior to the introduction of the Capital Adequacy Directive. The risk of maintaining short and long positions linked to changes in market conditions is quantified, using a methodology similar to the financial asset pricing model and to the asset and liability management model. Derivatives are broken down into the long and short positions of their major underlying assets, thus avoiding any distortions. To cover these risks, the Capital Adequacy Directive details the amount of capital required, allowing the use of financial instruments not authorised for other purposes (short-term subordinated debt included under Tier III Capital).

In April 2007, Banco de Portugal issued Notice no. 9/2007 (which was subsequently amended by Notices no. 8/2008 and 8/2010), which created the framework for the calculation of capital requirements to cover operational risk. Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Notices nos. 4/2007 to 9/2007 and Notice no. 6/2010 were issued by Banco de Portugal following the Decree-Law no. 104/2007, of 03 April 2007, which implemented Directive 2006 48/EC of the European Parliament and of the Council of 14 June 2006 (the New Capital Adequacy Directive, commonly known as Basel II), into Portuguese legislation. It aligned regulatory capital requirements more closely with the underlying capital risks that banks face, promoting the use of internally developed models to identify, manage and measure their own risks. This directive also introduced requirements for operational risk. The use of internally developed models to measure risks was subject to authorisation by Banco de Portugal and involved a huge effort from both banks and Banco de Portugal to comply with all applicable requirements. Notice no. 6/2007 was revoked by Notice no.

7/2010. Notices no. 5/2007, 7/2007, 8/2007 and 9/2007 were revoked by Notice no. 5/2016, of 2 May, with effect from 30 June 2016 onwards, due to the fact that the capital requirements for risk credit and the solvency ratio requirements are now set forth by the CRR.

On 17 May 2011, Banco de Portugal's Notice no. 3/2011 was published. This Notice (which has already been amended by Notices no. 8/2011 and 4/2012) established the obligation for Portuguese banks to have a Core Tier 1 level of at least 9% by 31 December 2011, and of at least 10% by 31 December 2012, and thereafter.

In addition, on 8 December 2011, the EBA recommended the temporary strengthening of capital requirements in accordance with bank exposure to sovereign debt. This recommendation was endorsed by Banco de Portugal, which, in line with the guidelines issued by the EBA, established in Notice no. 5/2012 that these additional requirements should be complied with by 30 June 2012. On 22 July 2013, EBA issued a recommendation on the preservation of Core Tier 1 capital during the transition to the CRD/CRR framework. More recently, Banco de Portugal has established, under Notice no. 6/2013 and following EU Regulation 575/2013, that banks shall permanently ensure the maintenance of a Common Equity Tier 1 capital ratio level of at least 7% and a Tier 1 capital ratio level of 6% during the period from 1 January 2014 to 31 December 2014.

On 12 September 2010, the BCBS announced a new agreement on banking supervision, known as Basel III, which has amended most of the minimum requirements relating to capital and liquidity. This agreement has stricter capital requirements that will be applied over a transitional period in order to mitigate its impact on the international financial system. The minimum capital requirements for Common Equity Tier 1 capital will gradually increase from 3.5% of RWAs as of 1 January 2013 to 7% of RWAs by 2019, including the capital conservation buffer.

The total capital ratio will increase from 8% to 10.5% between 2016 and 2019, including the capital conservation buffer. Further changes include: (i) a progressive increase of the common equity ratio from 3.5% as of 1 January 2013 to 4.5% by 2015; (ii) a progressive increase in the Tier 1 ratio from 4% to 6% by 2015; (iii) an additional requirement of a capital conservation ratio of 2.5% on common equity, with phased implementation from 2016 to 2019, and restrictions on bank capacity to pay dividends or make other payments, to be defined, if the capital is below the common equity ratio and capital conservation ratio; (iv) a countercyclical capital buffer, which will stand between 0% and 2.5% of RWAs, with loss absorption properties, according to the credit cycle phase pursuant to its application by the national supervisory authorities; and (v) the leverage ratio will be tested for a non-adjusted ratio of 3% risk.

On 13 January 2011, the Basel Committee issued "Minimum requirements to ensure loss absorbency at the point of non-viability", which suggests some specific rules for internationally active banks. The rules require that all Additional Tier 1 and Tier 2 instruments issued by internationally active banks must include, with certain exceptions, a provision in their terms and conditions requiring that they should be written-off when particular circumstances occur. Since these rules were implemented in Portugal, the Bank is subject to them.

CRD IV and CRR aim at transposing into EU law the aforementioned "Basel III" agreement, which strengthens bank capital requirements, introduces a mandatory capital conservation buffer and a discretionary countercyclical buffer and foresees a framework for new regulatory requirements on liquidity and leverage, as well as additional capital surcharges for systemically important institutions and new rules for counterparty risk. The CRD IV package also makes changes to rules on corporate governance, including remuneration, and introduces standardised EU regulatory reporting, which are referred to as COREP and FINREP. These reporting requirements specify the information firms must report to supervisors in areas such as own funds, large exposures and financial information.

The new rules apply from 1 January 2014 and some of the new provisions will be phased in between 2014 to 2019. 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. Full implementation of CRD IV/CRR is expected to occur by the beginning of 2018, with the exception of DTAs already recorded on balance sheet on January 2014 and the subordinated debt and all the hybrid instruments not eligible to the own funds, for which the transition period extends until the end of 2023 and 2021, respectively. The main impacts of CRD IV/CRR on consolidated capital ratios are related to DTAs, shortfall of provisions to expected losses, the pension fund corridor, minority holdings

in consolidated subsidiaries, significant holdings in non-consolidated financial institutions and the increased capital requirements for market and counterparty risks.

Capital requirements

See also “*Risk Factors—Legal and Regulatory Risks—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*”.

This framework requires banks and investment firms to hold Common Equity Tier 1 capital to 4.5% of RWAs until December 2019. The total capital requirement, which includes additional Tier 1 and Tier 2 capital, remains unchanged at 8% of RWAs. The combined buffer, comprised of countercyclical capital buffer, capital conservation buffer and systemic buffer, were introduced by Decree-Law no. 157/2014, of 24 October, with effects from 1 January 2016 onwards.

Capital buffers: The criteria for maintenance by credit institutions’ and certain investment companies’ additional own funds include:

- (i) a capital conservation buffer;
- (ii) the institution’s specific countercyclical capital buffer;
- (iii) the systemic risk 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, 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% in 2019, as provided in article 23 of Decree-Law no. 157/2014, of 24 October.

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 usual 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%.

This rate shall be set between 0% and 2.5% of the total risk exposure amount, calibrated in steps of 0.25 percentage points or multiples of 0.25 percentage points. 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 requirements than the ones defined by the national authorities.

On 30 September 2016, in exercising its powers as the national macro-prudential authority, Banco de Portugal decided that the countercyclical buffer rate for credit exposures to the domestic private non-financial sector would remain at 0% of the total risk exposure amount. From 1 October 2016 onwards, 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. This decision shall continue to be reviewed on a quarterly basis by Banco de Portugal.

Under the guidance of the SSM, the conclusions of the supervisory review take the form of prudential requirements being set (Pillar 2) 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.

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 and shall be applicable from 1 January 2018.
- (iii) 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.

Capital buffers

CRD IV introduces additional requirements for a capital conservation buffer of CET 1 capital of 2.5% of total risk exposure, identical for all banks in the EU, and an institution-specific countercyclical capital buffer of up to 2.5%.

Member States have the ability to introduce a systemic risk buffer of additional CET 1 capital for the financial sector or one or more subsets of it, or buffers for systemically important institutions. Member States can apply systemic risk buffers of 1% to 3.5% for all exposures and up to 5% for domestic and third country exposures, without having to seek prior approval from the EC. They can impose even higher buffers with prior EC authorisation in the form of an implementing act.

The buffer requirements specific to systemic institutions will be mandatory for G-SIIs, but voluntary for O-SIIs (i.e., EU or domestic). Buffers will apply on a consolidated basis for G-SIIs and on an individual, subconsolidated or consolidated basis for O-SIIs. The O-SII buffer will be capped at 2%.

G-SIIs are assigned to one of five sub-categories, depending on their systemic importance. They are subject to progressive additional CET 1 capital requirements, ranging from 1% to 2.5% for the first four groups, while a buffer of 3.5% will apply to the highest sub-category.

The systemic risk buffer and buffers for G-SIIs and O-SHs will generally not be cumulative; only the highest of the three buffers will apply. However, if the systemic risk buffer applies only to domestic exposures, it can be added to the buffer of systemically important financial institutions.

Banco de Portugal has published in its website, in accordance with Article 138 -Y of the Banking Law, that the buffer for O-SIIs, approved in June 2015, will correspond to 0.375% on 1 January 2018 and 0.750% on 1 January 2019, in the case of the Bank.

Liquidity requirements

Portuguese banks report their liquidity position monthly to Banco de Portugal, both on an individual and consolidated basis. According to Instruction no. 13/2009 issued by Banco de Portugal, factors that could potentially impact the short-term cash flow of banks (within one year) are eligible for calculation in their liquidity position.

Banco de Portugal rules require that the assets, liabilities and off-balance sheet elements of banks should be classified according to their degree of liquidity. This process involves, on the one hand, the allocation of these elements into four time groups in accordance with their residual term to maturity (at sight to 1 month, 1 to 3 months, 3 to 6 months and 6 to 12 months) and, on the other hand, some adjustments due to the application of weights and haircuts defined by Banco de Portugal on the accounting balances of some products, particularly those with no defined term and those that are historically subject to material levels of prepayment or are contingent.

The report required by Banco de Portugal highlights several liquidity indicators, including liquidity mismatches, both for each time group and on an accumulated basis.

Basel III recommendations also provide for the setting of short and long term liquidity ratios and funding, namely the LCR and the NSFR. The CRR introduced EU liquidity requirements after an initial observation period. The EBA has defined assets as ‘extremely high’ and of ‘high’ quality as well as put in place operational requirements for the holdings of liquid assets. The EBA recommends that all types of bonds issued or guaranteed by Member States’ central governments issued in local currency by central banks as well as those issued or guaranteed by supranational institutions should be considered transferrable extremely high quality assets. It has also 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. In addition, the EBA recommended that common equity shares should be considered high quality liquid assets.

LCR: Institutions are required to hold liquid assets, the total value of which would cover the net liquidity outflows that might be experienced under gravely stressed conditions over a period of 30 days. During times of stress, institutions would be allowed to use their liquid assets to cover their net liquidity outflows.

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) recommends that all types of bonds issued or guaranteed by Member States’ central governments issued in local currency by central banks as well as those issued or guaranteed by supranational institutions should be considered transferrable extremely high quality assets;
- (iv) has 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 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 135% and 113%, respectively, as at 30 September 2016, higher than the reference value of 100% (fully implemented).

NSFR: 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.

Additional Liquidity Monitoring Metrics ("ALMM")

The CRR also provides, in Article 415(3)(b), that the EBA shall develop specific additional liquidity monitoring metrics, essential to allow competent authorities to obtain a comprehensive view of an institution's liquidity risk profile, proportionate to the nature, scale and complexity of its activities.

In this context, the EBA proposed metrics to cover this requirement on a monthly basis, including the following framework:

Maturity ladder: These maturity mismatches indicate how much liquidity a bank would potentially need to raise in various time bands if all outflows occurred at the earliest possible date. This metric provides an insight into the extent to which the bank relies on maturity transformation under its current contracts.

Concentration of funding by counterparty: This allows the identification of those sources of wholesale and retail funding of such significance that their withdrawal could trigger liquidity problems. It is proposed that institutions report the top 10 largest counterparties from which funding obtained exceeds a threshold of 1% of total liabilities, together with information on the counterparty name, counterparty type and location, product type, currency, amount received, weighted average and residual maturity.

Concentration of funding by product type: This seeks to collect information about the institution's concentration of funding by product type, broken down into different funding types relating to retail and wholesale funding. It is proposed that institutions report the total amount of funding received from each product category when it exceeds a threshold of 1% of total liabilities.

Concentration of counterbalancing capacity by issuer/counterparty: This seeks to collect information about the reporting institutions' concentration of counterbalancing capacity by the 10 largest holdings of assets or liquidity lines granted to the institution for this purpose.

Prices for various lengths of funding: This seeks to collect information about the average transaction volume and prices paid by institutions for funding with different maturities ranging from overnight to 10 years.

Rollover of funding: This seeks to collect information about the volume of funds maturing and new funding obtained, i.e., 'rollover of funding', on a daily basis over a monthly time horizon.

Liquidity Risk Monitoring Tool

The reporting activity concerning liquidity is supplemented by a weekly account of the liquidity position of the Bank ("Liquidity Risk Monitoring Tool"), involving the projection of the inflows and outflows of the main aggregates of the balance sheet in a six-month horizon, including the base scenario and two stress scenarios, with the computation of associated survival periods, among other outputs. On an ad hoc basis the ECB also requires the generation of reports addressing specific scenarios (i.e., rating downgrades).

Leverage ratio

The Banking Union's regulatory framework also includes a leverage ratio, whose final calibration is envisaged for 2017 and may become a compulsory regulatory requirement in 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 leverage ratio was 6.2% phased-in and 4.8% fully implemented, as at 30 September 2016.

Bankers' bonuses

Bonuses are capped at a ratio of 1;1 fixed to variable remuneration (no greater than equal to fixed salary). This ratio can be raised to a maximum of 2:1, if a quorum of shareholders representing 50% of shares participates in the vote and a 2/3 majority supports the measure. If the quorum cannot be reached, the measure can also be approved if it is supported by 75% of shareholders present or represented. The variable remuneration is subject to other limitations such as: a) mandatory deferral of a substantial part of the payment of such remuneration for a period of three to five years (at least 40% or 60% when the value of such remuneration is considerably high); b) at least 50% of the variable remuneration must consist of a reasonable balance between shares or equivalent securities of the credit institution (or in case the credit institution has no shares admitted to public trading on a regulated market, securities indexed to the shares) and instruments referred to in articles 52 or 53 of the CRR; c) payment of the variable remuneration is subject to the credit institution's financial condition and its performance; d) the total amount corresponding to the variable remuneration is subject to clawback and malus mechanisms.

Governance and transparency

Since 1 January 2014, institutions are required to make public the number of employees per institution in group and net banking income. At the same time, all European G-SIIs and O-SIIs have to report to the EC on profits made, taxes paid and subsidies received. Since 2015, banks have to publicly disclose the data unless the EC, by delegated act, either delays or amends the relevant provisions.

The Accounting Directive sets specific additional disclosures for large undertakings and public interest entities, comprising, among others: additional detail on fixed asset items; amount of emoluments to the members of administrative, managerial and supervisory bodies, the average number of employees during the financial year, deferred tax balances, net turnover, total fees charged by statutory auditor. The "Accounting Directive" was transposed to national law by Decree-Law n.º 98/2015 of 2 of June 2015.

Stress tests

The EBA performed a 2016 EU-wide stress test, in coordination with the ECB. The EBA was responsible for running the exercise for the major banks in the Eurozone while the ECB conducted a parallel stress test for the additional significant banks, including the Bank.

This stress test was designed to provide supervisors, banks and other market participants with a common analytical framework to consistently compare and assess the resilience of EU banks to economic shocks. The test involved a significant sample of banks in the EU; outcomes were disclosed for 51 banks, of which 37 are directly supervised by the ECB, covering 70% of banking assets in the Eurozone. No minimum capital was set, but the outcome of the stress test was taken as an input for the 2016 SREP, in particular regarding the establishment of the Pillar 2 Guidance.

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

	Eurozone			Portugal		
	2016	2017	2018	2016	2017	2018
GDP growth	-1.0%	-1.3%	0.6%	-2.1%	-2.6%	-0.6%

HICP* inflation	-0.9%	-0.1%	0.1%	-1.3%	-1.9%	-1.0%
Unemployment rates	11.0%	11.7%	12.4%	12.4%	13.3%	15.2%
Residential property prices	-7.3%	-2.3%	0.1%	-7.3%	-3.4%	-1.2%
Prime commercial property prices	-4.5%	-5.7%	-1.5%	-4.9%	-5.9%	-2.0%
Public debt long term yields	2.1%	2.4%	2.3%	3.8%	3.9%	3.8%

*Harmonised Index of Consumer Prices

BCP's CET 1 phased-in ratio stood at 7.2% under the adverse scenario (2.99% in the stress test of 2014). The minimum 5.5% CET 1 ratio (phased-in) required in 2014 was kept as a reference in the adverse scenario.

Control of risk exposure

The CRR establishes that an institution shall not incur an exposure to a client or group of connected clients when the value exceeds 25% of its eligible capital. However, Notice no. 9/2014 of Banco de Portugal sets forth some exclusions to these limits. For example, intra-group risks, whenever the counterparty is comprised in the consolidation perimeter of the credit institution, are excluded.

Where such client is an institution or where a group of connected clients includes one or more institutions, such risk exposure shall not exceed 25% of the bank's own funds or EUR 150 million, whichever is higher.

Where the risk exposure of EUR 150 million is higher than 25% of the credit institution's own funds, the value of the exposure, after taking into account the effect of credit risk mitigation in accordance with Articles 399 to 403 of the CRR, shall not exceed a reasonable limit in terms of the credit institution's eligible capital. That limit shall be determined by the relevant bank, in accordance with the procedures provided for in Instruction 5/2011 issued by Banco de Portugal, and shall not be higher than 100% of the credit institution's eligible capital.

In accordance with Article 109 of the Banking Law, the sum of all loans, guarantees and other commitments granted by a bank to any shareholder that holds, directly or indirectly, at least 10% of the bank's shares, and to all such shareholders in total, may not exceed 10% and 30% of its own funds, respectively. Notwithstanding the referred limitation, all such operations must be approved by a majority of 2/3 of the members of the Board of Directors and with a favourable opinion issued by the supervisory body of the Bank.

Instruction no. 5/2011 updates and broadens the set of relevant risks to be considered by financial institutions to include operational market and liquidity risks. In addition, financial institutions have been requested to report detailed information to Banco de Portugal relating to these risks.

Investment limitations of credit institutions

According to Article 101 of the Banking Law, a credit institution may not own, directly or indirectly, for a continuous or interrupted period of over three years (five years where the relevant shareholdings are held through risk capital companies and holding companies—"SGPS"), more than 25% of the voting rights of any single non-financial company. This limit does not apply to shareholdings by a credit institution in other credit institutions, financial companies, financial institutions, ancillary service companies, securitisation companies, insurance companies, insurance companies' subsidiaries held in conformity with applicable law, insurance brokers and mediating companies, pension-fund managing companies, risk capital companies or SGPS which only hold stakes in the above, as well as to stakes held by credit institutions in real estate investment funds destined to housing leases (*fundos de investimento imobiliário para arrendamento habitacional*) and real estate investment companies (*sociedades de investimento imobiliário*).

Provisions for loan losses

With the introduction of International Accounting Standards ("IAS") into Portuguese legislation from 1 January 2005, Banco de Portugal regulations related to provisions for loan losses ceased to apply to consolidated accounts and were replaced by the IAS 39 requirements on impairment.

Notice no. 5/2015, of 7 December, which revoked Notice no. 3/95 of Banco de Portugal pursuant to Regulation (CE) 1606/2002, of the European Parliament and of the Council, of 19 July, determined that from 1 January 2016 onwards, credit institutions must construe the respective individual and consolidated financial statements in accordance with IAS, as approved by the EU.

IAS 39 (Financial instruments: recognition and measurement), as approved by Commission Regulation (EC) No. 1126/2008, of 3 November 2008, as amended, sets forth two methods for calculating impairment losses: (i) individually assessed loans; and (ii) collective assessment.

(i) Individually assessed loans:

Impairment losses on individually assessed loans are determined by an evaluation of the exposures on a case-by-case basis. For each loan considered individually significant, the Bank assesses, at each balance sheet date, the existence of any objective evidence of impairment. In determining such impairment losses on individually assessed loans, the following factors are considered:

- group's aggregate exposure to the customer and the existence of overdue loans;
- the viability of the customer's business and capability to generate sufficient cash flow to service their debt obligations in the future;
- the existence, nature and estimated value of the collaterals;
- a significant downgrading in the customer's rating;
- the assets available on liquidation or insolvency situations;
- the ranking of all creditors' claims; and
- the amount and timing of expected receipts and recoveries.

Impairment losses are calculated by comparing the present value of the expected future cash flows, discounted at the original effective interest rate of the loan, with its current carrying value, being the amount of any loss charged in the income statement. The carrying amount of impaired loans is reduced through the use of an allowance account. For loans with a variable interest rate, the discount rate used corresponds to the effective annual interest rate, which was applicable in the period that the impairment was determined.

Loans that are not identified as having an objective evidence of impairment are grouped on the basis of similar credit risk characteristics, and assessed collectively.

(ii) Collective assessment:

Impairment losses are calculated on a collective basis under two different scenarios:

- for homogeneous groups of loans that are not considered individually significant; or
- losses which have been incurred but have not yet been reported on loans for which no objective evidence of impairment is identified (see last paragraph (i)).
- The collective impairment loss is determined considering the following factors:
 - historical loss experience in portfolios with similar risk characteristics;
 - knowledge of the current economic and credit conditions and its impact on the historical losses level; and
 - the estimated period between a loss occurring and its identification.

The methodology and assumptions used to estimate the future cash flows are reviewed regularly by the Bank in order to monitor the differences between, estimated and real losses.

Loans, for which no evidence of impairment has been identified, are grouped together based on similar credit risk characteristics for calculating a collective impairment loss. This analysis allows the Bank's recognition of losses whose identification in individual terms only occurs in future periods.

In accordance with "Carta-Circular" no. 15/2009 of Banco de Portugal, loans and advances to customers are charged-off when there is no realistic expectation, from an economic perspective, of recovering the loan amount. For collateralised loans, the charge-off occurs for the unrecoverable amount when the funds arising from the execution of the respective collaterals, for the part of the loans which is collateralised, are effectively received. This charge-off is carried out only for loans that are considered not to be recoverable and fully provided.

Maximum interest rates charged

Interest rates, including those on bank deposits and loans and inter-bank market rates, are determined by free-market forces. The ECB sets very short-term monetary market rates (regular intervention rates) for regular refinancing operations, overnight standing facilities and liquidity absorption standing facilities.

Nevertheless Decree-Law no. 133/2009 (transposes Directive 2008/48/CE of the European Parliament and of the Council), as amended by Decree-Law no. 42-A/2013, of 28 March, determines maximum interest rates to be charged on the loans to customers. The identification of the relevant types of loans to the customers and the maximum interest rates to be charged are announced by Banco de Portugal on a quarterly basis.

Capital penalisation for remuneration of deposits

Banco de Portugal (Notice no. 7/2011 and Instruction no. 28/2011, as amended by Instruction no. 15/2012) determined a penalisation in the calculation of the capital ratios applicable to situations where the remuneration of deposits exceeds a specified limit defined based on Euribor rates.

Crisis Management

History and overview

The international financial crisis and its effects on the banking sector has led to a review of the available legal mechanisms and intervention powers of supervisors in credit institutions whose financial situation begins to show signs of deterioration, so as to enable the swift adoption of measures aimed at preventing the risk of contagion to other institutions. This review identified the need to entrust the supervisors with a series of preventive intervention powers with the adoption of a harmonised system, for the establishment of this type of mechanism in the EU currently underway.

On 13 January 2011, the Basel Committee issued "Minimum requirements to ensure loss absorbency at the point of non-viability", which suggests specific rules for internationally active banks. The rules require that all additional Tier 1 and Tier 2 instruments issued by internationally active banks must include, with certain exceptions, a provision in their terms and conditions requiring that they should be written-off when particular circumstances occur.

On 10 July 2013, the EC adopted a new Banking Communication that sets out the updated EU crisis rules for state aid to banks during the crisis applicable as of 1 August 2013, replacing the 2008 Banking Communication and supplementing the remaining crisis rules. Together, they define the common EU conditions under which Member States can support banks with funding guarantees, recapitalisations or asset relief and the requirements for a restructuring plan. The crisis rules outline burden-sharing requirements that apply to all state aid granted to banks, not only resolution scenarios. The rules aimed at promoting a smoother passage to the bail-in regime under the BRRD and facilitate the transition towards the functioning of the SRM.

According to this Banking Communication, a bank must work out a restructuring plan, including a capital raising plan, demonstrating how it would become profitable in the long term before it can receive recapitalisation measures.

If the viability of the bank cannot be restored, an orderly winding down plan has to be submitted instead. Those rules also entail the ability for Member States and the EC, in cooperation with the competent supervisor, to explore ways of filling capital shortfalls with contributions from the bank itself, from private investors or the bank's owners.

Banks with a capital shortfall will have to obtain shareholders' and subordinated debt-holders' contribution before resorting to public recapitalisations or asset protection measures. This will level the playing field between similar banks located in different Member States and reduce financial market fragmentation. Exceptions are possible where financial stability is at risk or where a bank has already managed to significantly close the capital gap, and the residual amount needed from the State is small compared to the size of the bank's balance sheet.

Framework for the recovery and resolution of credit institutions and investment firms

As mentioned above, the BRRD provided resolution authorities with common powers and instruments to pre-empt bank crises and to resolve any financial institution in an orderly manner in the event of failure, whilst preserving essential bank operations and minimising taxpayers' exposure to losses.

By delivering a comprehensive bail-in tool that ensures that shareholders and creditors bear the cost of bank failure, it aims at:

- (i) safeguarding the continuity of essential banking operations;
- (ii) risks to financial stability; and a
- (iii) avoiding the unnecessary destruction of value.

The powers provided to resolution authorities under the BRRD include write-down and conversion into CET 1 instruments immediately before any other resolution decision is made, if such action is necessary to ensure that capital instruments (including additional Tier 1 and Tier 2 instruments eligible liabilities fully absorb losses at the point of non-viability of the issuing institution.

The BRRD stipulates, inter alia, that resolution authorities should exercise the powers of reduction or conversion according to the credit priority order under normal insolvency procedures in a manner that:

- (i) reduces or converts CET 1 instruments proportionally in accordance with relevant losses;
- (ii) reduces or converts the nominal value of other capital instruments in CET 1. instruments (Tier 1 and Tier 2 instruments); and
- (iii) reduces and converts the remaining liabilities accordingly with a certain order of priority.

The directive established a range of instruments to tackle potential bank crises at three stages: preparatory and preventive, early intervention and resolution. Institutions are required to draw up recovery plans and update them annually, setting out the measures they would take to restore their financial position in the event of significant deterioration. Resolution authorities have to prepare resolution plans for each institution, setting out the actions they might take if an institution were to meet the conditions for resolution.

Resolution authorities also have the power to appoint special managers to an institution if its financial situation were to deteriorate significantly or if there were serious violations of the law.

The main resolution measures can include: the sale of (part of a) business, establishment of a bridge institution (the temporary transfer of good bank assets to a publicly controlled entity), asset separation (the transfer of impaired assets to an asset management vehicle) and bail-in measures (the imposition of losses, with an order of seniority, on shareholders and unsecured creditors such as the Noteholders). The bail-in tool (the "**bail-in tool**") enables resolution authorities to write down or convert into equity the claims of the shareholders and creditors such as the Noteholders. Certain types of liabilities are permanently excluded from bail-in (e.g., covered deposits, covered bonds). Resolution authorities also have the power to exclude, or partially exclude, liabilities on a discretionary basis.

The BRRD requires Member States, as a general rule, to set up ex-ante resolution funds to ensure that the resolution tools can be applied effectively. To reach the target level, institutions have to make annual contributions based on their liabilities, excluding own funds, and adjusted for risk. Resolution funds are to be available to provide temporary support to institutions under resolution via loans, guarantees, asset purchases, or capital for bridge banks. They may also be drawn on to compensate shareholders or creditors if and to the extent that their losses under bail-in exceed the losses they would have undergone under normal insolvency proceedings, in line with a “no creditor worse off” principle.

To ensure that institutions always have sufficient loss-absorbing capacity, resolution authorities can set minimum requirements for own funds and eligible liabilities for each institution, based on size, risk and business model.

On 3 September 2016, the EC adopted the delegated regulation (EU) 2016/1450 of 23 May 2016 supplementing Directive 2014/59/EU of the European Parliament and of the Council with regard to regulatory technical standards (“**RTS**”), 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 a minimum requirement for own funds and eligible liabilities (“**MREL**”) to avoid excessive reliance on forms of funding that are excluded from bail-in, 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 Directive 2014/59/EU 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.

MREL tentative phased-in approach: the SRB will engage with banking groups over the course of 2016 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.

Domestic resolution regime

In this context, Decree-Law no. 31-A/2012, of 10 February 2012, and Law no. 23-A/2015, of 26 March which amended the Banking Law, replaced the credit institution restructuring system, approving a new system characterised by three different intervention phases (corrective intervention, provisional administration and resolution), applicable according to the severity of the risk or degree of non-compliance by an institution with the

rules which discipline its activity, as well as the scale of the respective consequences on the interests of the depositors or on the stability of the financial system. Banco de Portugal will be responsible for the choice of the modality of intervention and adoption of specific measures.

The legal endorsement of these measures constitutes a relevant change to the applicable rules, since, in light of the previous rules, when a credit institution was in a very serious situation the authorities had, as an alternative action, the ability to revoke its respective authorisation for the exercise of the activity and its subsequent winding up or nationalisation.

The new system sets forth a range of corrective intervention measures. Whenever a financial institution does not comply, or is at risk of not complying, with the applicable legal and regulatory framework, Banco de Portugal may resolve to apply one or more corrective measures, such as: a) preparation by the management body of an action plan with solutions for the banks situation in order to eliminate the risk of non-compliance; b) appointment of a supervisory commission or an auditor; c) restrictions to loan granting activity; d) certain operations becoming subject to Banco de Portugal's prior approval, among others.

Banco de Portugal may also impose the preparation of a recovery and restructuring plan to be submitted to Banco de Portugal, who will be responsible for approving it or requesting for its modification, thus seeking to ensure planning of measures in the event of the need for the recovery of a credit institution.

Furthermore, Banco de Portugal may also opt to replace or revoke the members of the management and supervisory boards when, for whatever reason, the requirements concerning professional qualification, independence, reputability and availability are no longer met by such members.

Whenever the corrective intervention measures reveal to have been insufficient to lead to the recovery of the credit institution, or whenever Banco de Portugal considers a priori that such measures would be insufficient, it may (a) suspend or revoke the members of the management board and appoint provisional members, (b) revoke the authorisation granted to the institution for the performance of the respective activity (followed by liquidation), or (c) apply a resolution measure. The provisional administration phase will correspond to situations that may place the financial balance or solvency of the institution at serious risk, or constitute a threat to the stability of the financial system.

In the extreme case, where a credit institution is at serious risk of non-compliance with the requirements for the maintenance of the authorisation for the exercise of its activity and it is not foreseeable that it will manage to return to adequate conditions of soundness and compliance with prudential ratios within a suitable period, the commencing of a resolution phase will enable the application of measures of last resort. These resolution measures include the total or partial disposal of the business of a credit institution or the transfer of assets, liabilities, off-balance sheet items or assets under management to a transition bank.

The application of these types of measures will naturally depend on their necessity to prevent systemic contagion or possible negative impacts on the financial stability plan, with a view to minimising costs for the public treasury or safeguarding the trust of the depositors.

The Single Resolution Mechanism

The SRM implements the BRRD in the Eurozone by applying the substantive rules of the BRRD in a coherent and centralised way in order to ensure that, if a bank subject to the SSM faces serious difficulties, its resolution can be managed efficiently with minimal costs to tax payers, through the implementation of a Single Resolution Board. The SRM regulation has been applicable, together with the bail-in tools under the BRRD, since January 2016, except for some provisions which have been applicable since January 2015.

Resolution funds

The Portuguese Resolution Fund was created in Portugal and is a resolution fund whose primary purpose has been to provide financial support for the implementation of resolution measures determined by Banco de Portugal. It

foresees the participation of credit institutions with a head office in Portugal, including the Bank, branches of credit institutions in states that do not belong to the EU, relevant companies for the management of payment systems subject to supervision of Banco de Portugal and certain types of investment companies.

Financing can also be provided through the BRRD, on a complementary basis, by the SRF, which has been established by the SRM Regulation. Where necessary, the SRF may be used to ensure the efficient application of resolution tools and the exercise of the resolution powers conferred to the SRB by the SRM Regulation. Under the intergovernmental agreement on the transfer and mutualisation of contributions to the SRF, contributions by banks to the SRF raised at a national level will be transferred to the SRE. Thus, as of 1 January 2016, banks operating under the SRM Regulation will no longer be able to access the previous Portuguese Resolution Fund for the financing of application of the resolution measures mentioned above.

The main resolution measures can include: the sale of (part of a) business, establishment of a bridge institution (the temporary transfer of good bank assets to a publicly controlled entity), asset separation (the transfer of impaired assets to an asset management vehicle) and bail-in measures (the imposition of losses, with an order of seniority, on shareholders and unsecured creditors). The bail-in tool enables resolution authorities to write down or convert into equity the claims of the shareholders and creditors (including the Noteholders). Certain types of liabilities are permanently excluded from bail-in (e.g., covered deposits, covered bonds). Resolution authorities also have the power to exclude, or partially exclude, liabilities on a discretionary basis.

Deposit Guarantee Fund

In accordance with the Banking Law, all Portuguese banks (with the exception of mutual agricultural credit banks, which have their own deposit guarantee mechanism) and banks with registered offices outside the EU (except if already covered by a similar protection scheme), based on their deposits collected through branches in Portugal, are required to participate in the DGF. The DGF is a legal entity with administrative and financial autonomy, functioning under the supervision of Banco de Portugal, whose objective is to guarantee the repayment of deposits with credit institutions, subject to certain limitations.

The DGF guarantees the repayment of deposits made in Portugal at participating banks, with certain exceptions, in particular, deposits made by financial institutions and by the Public Administrative Sector. The limit set for full repayment of the balances owed to each depositor has been permanently raised from EUR 25,000 to EUR 100,000 by Decree-Law no. 119/2011, of 26 December, which implemented Directive 2009/14/CE, of the European Parliament and the Council of 11 March, which amended Directive 94/19/CE of the European Parliament and the Council of 30 May 1994. The amount of the annual periodic contribution to the DGF by participants is based on a rate applied to the average annual balance of the deposits covered by the guarantee and on the risk profile of the bank.

On 12 July 2010, the EC adopted a legislative proposal for the revision of the Directive on Deposit Guarantee Scheme to be applicable across Member States. Under current proposals, the amount to be guaranteed would be EUR 100,000 of all aggregated accounts of one account holder at the same bank.

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.

Decree-Law No. 31-A/2012, of 10 February, which amended the Legal Framework of Credit Institutions and Financial Companies, 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 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.

Investor Compensation Scheme

In June 1999, the Investors Compensation Scheme regulation was published, transposing Directive 97/9/EC of the European Parliament and of the Council of 3 March 1997, through Decree-Law no. 222/99, of 22 June, which was amended by Decree-Law no. 162/2009, of 20 June. It is similar to the DGF, but regulates stock operations and other financial instruments, guaranteeing non-institutional investors compensation for damages resulting from the actions of market members or participants in the system up to EUR 25,000. The Investors Compensation Scheme aims to guarantee the reimbursement of assets linked to funds or financial instruments that are administered or managed by the financial entities that participate in the Investors Compensation Scheme. These are loan granting institutions that provide financial services and investment companies resident in Portugal. Institutions authorised in other Member States have the right to adhere to the Investors Compensation Scheme when it is more favourable than that of their country of origin.

A proposal to amend the aforementioned directive was adopted by the EC in 2010, but has not yet been approved by the European Parliament and the Council.

International Capital Flows

Since 16 December 1992, there have been no foreign exchange controls directly or indirectly applied to either residents or non-residents in Portugal. Residents' demand for external financing, coupled with the interest of international investors in escudo-denominated and euro-denominated assets, have increased foreign capital inflows in the last few years.

The issuance of securities by foreign entities, expressed either in euro or in foreign currency, on the domestic market, and the issuance of securities on international markets by entities based in Portugal have become more flexible since August 1994, and the authorities must now simply be notified. This measure is part of the full integration of the Portuguese capital markets into the Single Financial Market.

Except as described below in "*Reporting of Substantial Shareholdings*", the acquisition by a non-resident of Portugal of shares of a Portuguese company is not subject to any previously required prior notification by the acquiring person to any Portuguese governmental authority or agency.

All securities accounts of non-residents of Portugal must be maintained with a financial institution registered for the provision of custody services in Portugal, with the opening and monthly activities of such accounts being reported to Banco de Portugal for statistical purposes. In the case of transactions with a value of EUR 249,398.95 or more, the resident involved in the transaction must provide statistical information to Banco de Portugal within 10 business

days of the closing of the transaction. Alternatively, the information may be provided by a bank acting on behalf of its client.

Law no. 28/2009 of 19 June 2009, which amended the Banking Law, sets forth the prohibition to grant credit to entities with a head office in an off-shore jurisdiction considered to be non-cooperative or whose ultimate beneficiary is unknown. In addition, it requires the registration of transfer operations to off-shore jurisdictions or those whose beneficiary is an entity with a head office in an off-shore jurisdiction, and its communication to Banco de Portugal.

Following the publication of Law no. 28/2009, Banco de Portugal issued Notice no. 7/2009 of 16 September 2009, regulating its key aspects.

Reporting of Substantial Shareholdings

Prior notification of Banco de Portugal is required from any investor seeking to acquire or to increase any direct or indirect shareholdings that would reach or exceed 10%, 20%, one third or 50% of the share capital or the respective voting rights of any credit institution (or that in any other way transforms the credit institution into a subsidiary (“affiliate”)), including that of the Bank. Banco de Portugal has a period of 60 business days in which it may object to the proposed acquisition or changes in shareholdings above these thresholds, if it is not demonstrated that the intended shareholder can guarantee prudent management of the credit institution. Prior notification must be provided whenever such shareholder wishes to reduce its shareholding below these thresholds. Within 15 days of the occurrence of such event, a subsequent communication by a shareholder effectively acquiring or reducing below such thresholds is also required. Such subsequent notification obligation is also applicable whenever at least 5% of the share capital or the respective voting rights of the credit institution are acquired. Pursuant to the entry into force of the Single Supervisory Mechanism, the ECB has supervisory powers to assess notifications of the acquisition and disposal of qualifying holdings in credit institutions. As national competent authority, Banco de Portugal must assess the proposed acquisition, and shall forward the notification and a proposal for a decision to oppose or not to oppose the acquisition to the ECB. The ECB shall decide whether to oppose the acquisition on the basis of the assessment criteria set out in relevant EU law and in accordance with the procedure and within the assessment periods set out therein.

Under Portuguese company law, any company that is a shareholder holding directly or indirectly at least 10% of the share capital of another company must notify such company whenever it acquires or disposes of such company’s outstanding share capital. In addition, according to the Portuguese Securities Code, a shareholder of a Portuguese public company (*sociedade com o capital aberto ao investimento do público* or *sociedade aberta*), that has issued shares listed in a regulated market, such as Euronext Lisbon, or other securities granting a right to the subscription or acquisition of its shares must notify such company and the CMVM whenever it reaches (directly or indirectly, including as a result of the rules on deemed attribution of voting rights set forth in Article 20 of the Securities Code) 2%, 5%, 10%, 15%, 20%, 25%, 1/3, 50%, 2/3 and 90% of the voting rights corresponding to the company’s share capital and whenever such shareholder’s ownership exceeds or drops below such thresholds (such shareholdings being considered “qualified shareholdings”).

The aforementioned information must be provided as soon as possible and within a maximum of four trading days from the date of reaching or crossing any relevant threshold. The issuing entity is required to make a public announcement containing such information as soon as possible and in any event within three trading days upon receiving the relevant notice. The CMVM has also approved Regulation no. 5/2010, which created a duty to report long positions in shares (including, in addition to those cases set forth in Article 20 of the Securities Code, those agreements or financial instruments of similar economic effect to holding shares that alone do not generate the attribution of voting rights, held directly or by third parties who are within the situations set forth in Article 20/1 of the Securities Code, including contracts for differences, cash-settled swaps, cash-settled options, cash-settled futures and forwards contracts). This regulation also added the 40%, 45%, 55%, 60%, 70%, 75%, 80% and 85% thresholds for communication of long positions to those set forth in Article 16 of the Securities Code and mentioned above.

With respect to short selling transactions, Regulation (EU) No. 236/2012, of the European Parliament and of the Council, of 14 March, on short selling and credit default swaps, as amended by Regulation (EU

No. 909/2014, of the European Parliament and of the Council, of 23 July, which entered into force on 1 November 2012, and other relevant legal acts issued for its implementation introduce, inter alia, disclosure obligations to investors holding significant short positions on shares, sovereign debt securities, uncovered positions on sovereign credit default swaps, when relevant restrictions are lifted.

These obligations of communication and announcement may be fulfilled by companies in a dominant or group relationship with the entity subject to such obligations.

In general terms, a person that acquires more than one-third or half of the voting rights in a public company, or to whom such voting rights become attributable (in accordance with the relevant Portuguese Securities Code rules), is required to launch a mandatory takeover offer for all shares in the subject company.

Treasury Stock

Portuguese law prohibits a company from subscribing to its own shares and generally from issuing guarantees or lending money to any third party in connection with its subscription to or acquisition of such shares, subject to certain exemptions (in particular in relation to the commercial business of banks and in relation to acquisitions by or for employees). Generally, a company may only acquire or sell its own shares on terms and conditions determined at a General Meeting of Shareholders and, subject to certain exceptions, such shares may not exceed 10% of its share capital. During the period that such shares are owned by the company, all rights pertaining to such shares are suspended, except for the right to receive additional free or bonus shares.

Treasury shares of a company which exceed the 10% limit must be sold within one year (if unlawfully acquired) or within three years (if lawfully acquired). Failure to do so will render such shares liable to be cancelled and the directors of the company potentially personally liable.

Shareholdings acquired, subscribed to or held by a direct or indirect subsidiary, are considered for all purposes own shares of the parent company and are subject to the same requirements as those mentioned above, provided that subsidiaries can subscribe to parent shares on behalf of third parties and any shares so held will not be considered to be treasury shares.

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 2014 and 31 December 2015 and the unaudited consolidated balance sheet and income statement for the nine-month period ended 30 September 2016 of the Bank. The consolidated financial statements of the Bank were prepared in accordance with IFRS. Such financial information should be read together with, and is qualified in its entirety by reference to, the Bank's annual reports and audited financial statements as at, and for the years ended on, 31 December 2014 and 31 December 2015 and the unaudited consolidated balance sheet and income statement of the Bank for the nine-month period ended 30 September 2016. The financial statements for the years ended on 31 December 2014 and 31 December 2015 have been approved by the Board of Directors of the Bank and by the General Meeting of Shareholders on 11 May 2015 and 21 April 2016, respectively.

BANCO COMERCIAL PORTUGUÊS

Consolidated Income Statement for the years ended 31 December, 2015 and 2014

	2015	2014
	(Thousands of EUR)	
Interest and similar income	2,316,101	2,652,638
Interest expense and similar charges.....	(1,014,526)	(1,536,487)
Net interest income.....	1,301,575	1,116,151
Dividends from equity instruments	11,941	5,888
Net fees and commissions income.....	692,862	680,885
Net gains / (losses) arising from trading and hedging activities	173,698	154,247
Net gains / (losses) arising from financial assets available for sale	421,746	302,407
Net gains / (losses) arising from financial assets held to maturity	-	(14,492)
Other operating income/costs.....	(110,519)	(53,300)
	2,491,303	2,191,786
Other net income from non banking activities	18,856	19,278
Total operating income	2,510,159	2,211,064
Staff costs.....	616,070	635,616
Other administrative costs	423,833	448,451
Depreciation.....	66,623	65,543
Operating expenses.....	1,106,526	1,149,610
Operating net income before provisions and impairment.....	1,403,633	1,061,454
Loans impairment	(833,024)	(1,106,990)
Other financial assets impairment.....	(56,675)	(91,345)
Other assets impairment	(79,667)	(36,311)
Goodwill impairment	-	(145)
Other provisions.....	(24,947)	(81,473)
Operating net income	409,320	(254,810)
Share of profit of associates under the equity method.....	23,528	35,960
Gains / (losses) from the sale of subsidiaries and other assets	(30,138)	45,445
Net (loss) / income before income tax	402,710	(173,405)
Income tax		
Current	(99,746)	(100,995)
Deferred.....	43,349	198,670
(Loss) / income after income tax from continuing operations	346,313	(75,730)
(Loss) / income arising from discontinued operations	14,648	(40,830)
Net loss after income tax	360,961	(116,560)
Attributable to:		
Shareholders of the Bank	235,344	(226,620)
Non-controlling interests	125,617	110,060
Net loss for the year	360,961	(116,560)
Earnings per share (in EUR)		
Basic.....	0.005	(0.005)
Diluted.....	0.005	(0.005)

BANCO COMERCIAL PORTUGUÊS

Consolidated Income Statement for the nine month period ended 30 September, 2016 and 2015

	30 September 2016	30 September 2015 (Represented)
	(Thousands of EUR)	
Interest and similar income	1,429,522	1,630,587
Interest expense and similar charges.....	(522,534)	(753,984)
Net interest income.....	906,988	876,603
Dividends from equity instruments	6,961	3,487
Net fees and commissions income.....	481,146	497,965
Net gains / (losses) arising from trading and hedging activities.....	85,719	99,601
Net gains / (losses) arising from available for sale financial assets	126,794	406,336
Net gains from insurance activity.....	2,499	7,580
Other operating income	(94,586)	(37,113)
Total operating income	1,515,521	1,854,459
Staff costs.....	410,409	430,208
Other administrative costs.....	274,946	289,282
Depreciation.....	37,001	40,978
Operating costs.....	722,356	760,468
Operating net income before provisions and impairments	793,165	1,093,991
Loans impairment	(870,188)	(613,634)
Other financial assets impairment.....	(178,650)	(37,307)
Other assets impairment	(35,145)	(63,783)
Goodwill impairment	(10,097)	-
Other provisions.....	(18,937)	(15,953)
Operating net income.....	(319,852)	363,314
Share of profit of associates under the equity method.....	60,608	25,084
Gains / (losses) from the sale of subsidiaries and other assets	(4,243)	(23,980)
Net (loss) / income before income tax	(263,487)	364,418
Income tax		
Current	(76,537)	(62,856)
Deferred.....	144,750	(4,272)
Net (loss) / income after income tax from continuing operations	(195,274)	297,290
Income arising from discontinued operations	45,227	72,200
Net income after income tax	(150,047)	369,490
Attributable to:		
Shareholders of the Bank.....	(251,080)	264,536
Non-controlling interests.....	101,033	104,954
Net income for the period.....	(150,047)	369,490
Earnings per share (in EUR)		
Basic.....	(0.006)	0.007
Diluted.....	(0.006)	0.007

BANCO COMERCIAL PORTUGUÊS

Consolidated Balance Sheet as at 31 December, 2015 and 2014

	2015	2014
	(Thousands of EUR)	
Assets		
Cash and deposits at Central Banks	1,840,317	1707,447
Loans and advances to credit institutions		
Repayable on demand.....	776,413	795,774
Other loans and advances	921,648	1456,026
Loans and advances to customers	51,970,159	53,685,648
Financial assets held for trading	1,188,805	1,674,240
Other financial assets held for trading at fair value through profit or loss	152,018	-
Financial assets available for sale.....	10,779,030	8,263,225
Assets with repurchase agreement	-	36,423
Hedging derivatives.....	73,127	75,325
Financial assets held to maturity.....	494,891	2,311,181
Investments in associated companies	315,729	323,466
Non current assets held for sale	1,765,382	1,622,016
Investment property	146,280	176,519
Property and equipment.....	670,871	755,451
Goodwill and intangible assets.....	210,916	252,789
Current income tax assets	43,559	41,895
Deferred income tax assets.....	2,561,506	2,398,562
Other assets	974,228	784,929
Total assets	<u>74,884,879</u>	<u>76,360,916</u>
Liabilities		
Deposits from credit institutions.....	8,591,045	10,966,155
Deposits from customers.....	51,538,583	49,816,736
Debt securities issued	4,768,269	5,709,569
Financial liabilities held for trading	723,228	952,969
Hedging derivatives.....	541,230	352,543
Provisions	284,810	460,293
Subordinated debt	1,645,371	2,025,672
Current income tax liabilities.....	22,287	31,794
Deferred income tax liabilities	14,810	6,686
Other liabilities.....	1,074,675	1,051,592
Total Liabilities	<u>69,204,308</u>	<u>71,374,009</u>
Equity		
Share capital.....	4,094,235	3,706,690
Treasury stock.....	(1,187)	(13,547)
Share premium.....	16,471	-
Preference shares.....	59,910	171,175
Other capital instruments	2,922	9,853
Fair value reserves	23,250	106,898
Reserves and retained earnings	192,224	458,087
Net loss for the year attributable to Shareholders	235,344	(226,620)
Total Equity attributable to Shareholders of the Bank	<u>4,623,169</u>	<u>4,212,536</u>
Non-controlling interests.....	1,057,402	774,371
Total Equity	<u>5,680,571</u>	<u>4,986,907</u>
	<u>74,884,879</u>	<u>76,360,916</u>

BANCO COMERCIAL PORTUGUÊS
Consolidated Balance Sheet as at 30 September, 2016 and 2015

	30 September 2016	30 September 2015
	(Thousands of EUR)	
Assets		
Cash and deposits at central banks	2,618,275	1,514,453
Loans and advances to credit institutions		
Repayable on demand.....	421,850	984,037
Other loans and advances	1,628,151	976,054
Loans and advances to customers	48,805,818	52,478,248
Financial assets held for trading	1,090,767	1,481,053
Other financial assets held for trading at fair value through profit or loss	145,605	-
Financial assets available for sale	10,680,030	11,556,620
Assets with repurchase agreement	19,983	10,545
Hedging derivatives	106,115	85,114
Financial assets held to maturity	415,611	432,941
Investments in associated companies	574,626	313,914
Non-current assets held for sale	2,112,762	1,674,469
Investment property	61,929	147,639
Property and equipment	463,459	673,474
Goodwill and intangible assets	188,823	206,271
Current tax assets	35,011	39,931
Deferred tax assets	2,790,693	2,505,379
Other assets	882,088	904,891
Total assets	73,041,596	75,985,033
Liabilities		
Amounts owed to credit institutions	11,302,736	10,288,944
Amounts owed to customers	48,937,144	50,643,751
Debt securities	3,919,170	4,909,742
Financial liabilities held for trading	610,479	828,378
Hedging derivatives	383,149	548,975
Provisions for liabilities and charges	279,997	300,768
Subordinated debt	1,682,860	1,683,817
Current income tax liabilities	5,508	7,268
Deferred income tax liabilities	2,151	16,736
Other liabilities	970,040	1,020,107
Total Liabilities	68,093,234	70,248,486
Equity		
Share capital	4,094,235	4,094,235
Treasury stock	(3,106)	(1,089)
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
Fair value reserves	(66,067)	9,003
Reserves and retained earnings	(22,820)	50,783
Net income for the period attributable to Shareholders	(251,080)	264,536
Total Equity attributable to Shareholders of the Bank	4,076,340	4,720,041
Non-controlling interests	872,022	1,016,506
Total Equity	4,948,362	5,736,547
	73,041,596	75,985,033

BANCO COMERCIAL PORTUGUÊS

Consolidated Cash Flows Statement for the years ended 31 December, 2015 and 2014

	2015	2014
	(Thousands of EUR)	
<i>Cash flows arising from operating activities</i>		
Interest income received	2,189,498	2,354,534
Commissions received	850,019	862,022
Fees received from services rendered	79,755	90,078
Interest expense paid	(1,061,619)	(1,635,320)
Commissions paid	(203,186)	(271,755)
Recoveries on loans previously written off	29,726	15,631
Net earned premiums	28,622	26,742
Claims incurred	(10,438)	(10,641)
Payments to suppliers and employees	(1,453,636)	(1,491,419)
Income taxes (paid) / received	(98,847)	(85,513)
	<u>349,894</u>	<u>(145,641)</u>
<i>Decrease / (increase) in operating assets:</i>		
Loans and advances to credit institutions	518,599	(332,121)
Deposits with Central Banks under monetary regulations	(94,538)	1,329,828
Loans and advances to customers	673,511	3,386,494
Short term trading account securities	332,709	(121,139)
<i>Increase / (decrease) in operating liabilities:</i>		
Deposits from credit institutions repayable on demand	(76,622)	137,806
Deposits from credit institutions with agreed maturity date	(2,247,785)	(2,536,748)
Deposits from clients repayable on demand	3,750,799	1,556,641
Deposits from clients with agreed maturity date	(1,953,456)	(1,509,976)
	<u>1,253,111</u>	<u>1,765,144</u>
<i>Cash flows arising from investing activities</i>		
Sale of shares in subsidiaries and associated companies	320,305	163,786
Dividends received	46,319	9,269
Interest income from available for sale financial assets and held to maturity financial assets	325,517	414,809
Proceeds from sale of available for sale financial assets	12,572,774	13,340,670
Available for sale financial assets purchased	(65,920,453)	(81,733,441)
Proceeds from available for sale financial assets on maturity	52,626,182	69,578,158
Acquisition of fixed assets	(90,824)	(119,763)
Proceeds from sale of fixed assets	38,732	28,163
Decrease / (increase) in other sundry assets	72,639	(231,821)
	<u>(8,809)</u>	<u>1,449,830</u>
<i>Cash flows arising from financing activities</i>		
Issuance of subordinated debt	657	421
Reimbursement of subordinated debt	(16,403)	(2,265,669)
Issuance of debt securities	309,586	3,912,301
Reimbursement of debt securities	(1,416,446)	(7,739,894)
Issuance of commercial paper and other securities	120,558	99,563
Reimbursement of commercial paper and other securities	(5,240)	(19,060)

	<u>2015</u>	<u>2014</u>
	(Thousands of EUR)	
Share capital increase	-	2,241,690
Dividends paid to non-controlling interests.....	(10,157)	(31,055)
Increase / (decrease) in other sundry liabilities and non-controlling interests	<u>(72,769)</u>	<u>240,979</u>
	(1,090,214)	(3,560,724)
Exchange differences effect on cash and equivalents.....	<u>(150,948)</u>	<u>10,604</u>
Net changes in cash and equivalents.....	<u>3,140</u>	<u>(335,146)</u>
Cash and equivalents at the beginning of the year	<u>1,398,584</u>	<u>1,733,730</u>
Cash	<u>625,311</u>	<u>602,810</u>
Other short term investments.....	<u>776,413</u>	<u>795,774</u>
Cash and equivalents at the end of the year	<u><u>1,401,724</u></u>	<u><u>1,398,584</u></u>

BANCO COMERCIAL PORTUGUÊS

Evolution of the Solvency Ratio on the third quarter of 2016

On 26 June 2013, the European Parliament and Council approved CRD IV/CRR that established new and more demanding capital requirements for credit institutions, with effects from 1 January 2014 onwards.

These stricter requirements result from more narrowly defined capital and risk weighted assets, together with the establishment of minimum ratios, including a capital conservation buffer, of 7% for CET 1, 8.5% for Tier 1 and 10.5% for Total Capital. The CRD IV/CRR also stipulates a transitional period (phased-in) in which institutions may accommodate the new requirements, both in terms of own funds and compliance with minimum capital ratios.

According to the Bank's interpretation of CRD IV/CRR as at the date of this Offering Circular, CET 1 phased-in estimated ratio reached 12.2% as at 30 September 2016 compared to 12.3% posted as at 30 June 2016 (13.3% as at 31 December 2015).

The performance of the phased-in CET 1 ratio in the third quarter of 2016 mainly reflects the unfavourable effects of the net income recorded in this period and the negative foreign exchange differences, mainly of the metical, which were offset by the reduction of capital requirements, mostly for market risk. The fully implemented CET 1 ratio was also affected by the exclusion of the transitional adjustments, namely the impact of the devaluation of sovereign debt held for sale.

The Bank's credit risk models are continuously monitored and supervised by the supervisory authorities, with whom the Bank maintains a regular dialogue on the matter. The Bank is currently making changes to the set of models used in the scope of the IRB methodology for calculating capital requirements. These amendments reflect the most recent recommendations received in the framework of this dialogue and following regular inspections by the SSM, in particular as regards the LGD models for defaulted exposures, to be phased in by the end of the first semester of 2017, and corporate, in this case to be implemented in 2016. In the case of recent recommendations, it is not possible to anticipate the respective implications with the reliability desirable, and may imply a reduction in capital ratios.

SOLVENCY (CRD IV/CRR)

	<i>Euro million</i>	
	<i>30 Sep. 16</i>	<i>30-Jun-16</i>
	<i>Phased-in</i>	
Own funds		
Common equity tier 1 (CET 1)	4,669	4,719
Tier 1	4,669	4,719
Total Capital	5,052	5,133
Risk weighted assets	38,287	38,415
Solvency ratios		
CET 1	12.2%	12.3%
Tier I	12.2%	12.3%
Total Capital	13.2%	13.4%
	<i>Fully implemented</i>	
CET 1	9.5%	9.7%

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.

Notes issued by BCP Finance

Interest and other investment income obtained by Portuguese resident individuals on Notes issued by BCP Finance are subject to individual income tax. If the payment of interest or other investment income is made available to Portuguese resident individuals through a Portuguese resident entity or a Portuguese branch of a non-resident entity, withholding tax applies at 35%, which is the final tax on that income. If the interest on the Notes is not received through an entity located in Portugal it is not subject to Portuguese withholding tax, but an autonomous taxation of 35% will apply, which is the final tax on that income.

In the case of Zero Coupon Notes, the difference between the redemption value and the subscription cost is regarded as investment income and is also subject to Portuguese taxation.

Gains obtained on the disposal of Notes by an individual resident in Portugal for tax purposes are subject to Portuguese capital gains taxation, whereby the positive difference between such gains and gains on other securities and losses in securities is subject to tax at 28%, which is the final tax on that income unless the individual elects to include it in his/her taxable income, subject to tax at progressive rates of up to 53%, to which a surtax of up to 3.5% is to be added. Accrued interest qualifies as interest for tax purposes.

Interest and other investment income derived from the Notes and capital gains realised with the transfer of the Notes by legal persons resident for tax purposes in Portugal and by non-resident legal persons with a permanent establishment in Portugal to which the income or gains are attributable are included in their taxable profits and are subject to corporate tax at 21% or 17% on the first EUR 15,000 in the case of small- and medium-sized enterprises and may be subject to a municipal surcharge (*derrama municipal*) of up to 1.5%. A state surcharge (*derrama estadual*) also applies at 3% on taxable profits in excess of EUR 1,500,000 and up to EUR 7,500,000, and at 5% on taxable profits in excess of EUR 7,500,000 up to EUR 35,000,000, and at 7% on taxable profits in excess of EUR 35,000,000.

No stamp tax applies to the acquisition through gift or inheritance of Notes by an individual.

The acquisition of Notes through gift or inheritance by a Portuguese resident legal person or a non-resident acting through a Portuguese permanent establishment is subject to corporate tax at 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% on taxable profits in excess of EUR 35,000,000.

There is neither wealth nor estate tax in Portugal.

Payments made by BCP Finance of interest, other investment income or principal on Notes issued by it to an individual or legal person non-resident in Portugal for tax purposes without a Portuguese permanent establishment to which income may be attributable are not subject to Portuguese tax.

Capital gains realised on the transfer of a Note by a holder who is neither resident nor engaged in business through a permanent establishment in Portugal to which that gain is attributable are not subject to Portuguese tax.

Notes issued by the Bank

Portuguese resident holders and non-resident holders with a Portuguese permanent establishment

Interest and other types of investment income obtained on Notes by a Portuguese resident individual is subject to withholding tax at 28%, which, if such income is not earned as business or professional income, is the final tax on that income unless the individual elects to include it in his/ her taxable income subject to tax at progressive rates of up to 53%, to which a 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 (2nd 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.

According to information provided by Euroclear and Clearstream, Luxembourg (the "**ICSDs**"), the ICSDs do not offer any tax relief to the holders of Notes (other than Book Entry Notes) issued by the Bank acting through its head office.

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. It is, however,

important to note that, although there are significant grounds to consider this exemption as currently applicable (notably because its effectiveness was extended in 2012 without term and it was amended in 2016, which would alone be an indication of it remaining in force until at least 2021), the Portuguese State Budget Law for 2017 does not include it among the tax benefits, which period of application is extended; therefore, doubts may arise concerning the current applicability of this exemption. 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. It is, however, important to note that, although there are significant grounds to consider this exemption as currently applicable (notably because its effectiveness was extended in 2012 without term and it was amended in 2016, which would alone be an indication of it remaining in force until at least 2021), the Portuguese State Budget Law for 2017 does not include it among the tax benefits, which period of application is extended; therefore, doubts may arise concerning the current applicability of this exemption. 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 Decree-law No. 193/2005, of 7 November 2005, as amended from time to time (hereafter "**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.

(a) **Domestically Cleared Notes**

The beneficial owner of Notes must provide proof of non-residence in Portuguese territory substantially in the terms set forth below.

(i) If a holder of Notes is a central bank, a public law entity or agency or an international organisation recognised by the Portuguese state, a declaration of tax residence issued by the holder of Notes, duly signed and authenticated or proof pursuant to 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.

(b) **Internationally Cleared Notes**

If the Notes are registered in an account with an international clearing system, prior to the relevant date for payment of any interest or the redemption date (for Zero Coupon Notes), the entity managing such system is to provide to the direct register entity or its representative the identification and number of securities, as well as the income and, when applicable, the tax withheld, itemised by type of beneficial owner, as follows:

- (i) Portuguese resident entities or permanent establishments of non-resident entities to which the income is attributable which are not exempt from tax and are subject to withholding tax;
- (ii) Entities domiciled in a country, territory or region subject to a clearly more favourable tax regime included in Ministerial Order No. 150/2004 which are not exempt from tax and are subject to withholding tax;
- (iii) Portuguese resident entities or permanent establishments of non-resident entities to which the income is attributable which are exempt from tax and are not subject to withholding tax;
- (iv) Other non-Portuguese resident entities.

In addition, the international clearing system managing entity is to provide to the direct register entity in relation to each income payment, at least the following information concerning each of the beneficiaries mentioned in subparagraphs (i), (ii) and (iii) above: name and address, tax identification number, if applicable, identification of the securities held and amount thereof and amount of income.

No Portuguese exemption shall apply at source under the special regime approved by Decree-law No. 193/2005 if the above rules and procedures are not followed. Accordingly, the general Portuguese tax provisions shall apply as described above.

If the conditions for an exemption to apply are met, but, due to inaccurate or insufficient information, tax is withheld, a special refund procedure is available under the regime approved by Decree-law No. 193/2005. The refund claim is to be submitted to the direct or indirect register entity of the Notes within six months from the date the withholding took place.

The refund of withholding tax after the above six-month period is to be claimed to the Portuguese tax authorities within two years from the end of the year in which tax was withheld. The refund is to be made within three months, after which interest is due.

The forms currently applicable for the above purposes were approved by Order ("*Despacho*") No. 2937/2014 of the Portuguese Secretary of State for Tax Affairs, published in the Portuguese official gazette, 2nd series, No. 37, of 21 February 2014 and may be available for viewing and downloading at www.portaldasfinancas.gov.pt.

2. Cayman Islands Taxation

There are no income, corporation, capital gains or other direct taxes in effect in the Cayman Islands on the basis of present legislation. BCP Finance has received an undertaking from the Governor in Council of the Cayman Islands pursuant to the Tax Concessions Law 1999 Revision of the Cayman Islands that, for a period of 20 years from the date of the grant of the undertaking (being 28 April 1998), no law enacted in the Cayman Islands imposing any tax to be levied on profits, income or gains or appreciation shall apply to BCP Finance or its operations and no such tax or any tax in the nature of the estate duty or inheritance tax shall be payable by BCP Finance on or in respect of the shares, debentures, or other obligations of BCP Finance or by way of withholding in whole or in part of any payment of dividend or other distribution of income or capital by BCP Finance to its members or any payment of interest or principal or other sums due under a debenture or other obligation of BCP Finance.

3. United Kingdom Taxation

The following is a summary of each of the Issuers' 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.

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.

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 each of the Issuers 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).

4. 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 Issuers 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 relevant Issuer is resident in Ireland for tax purposes; or
- (ii) the relevant 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 relevant 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 Issuers are not and will not be resident in Ireland for tax purposes; (B) the Issuers will not have a branch or permanent establishment in Ireland; (C) that bearer Notes will not be physically located in Ireland; and (D) the Issuers 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 Issuers) 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 Issuers 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.

5. 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 Issuers may be foreign financial institutions 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 relevant Issuer). However, if additional Notes as described under *"Terms and Conditions of the Notes — Further Issues"* 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.

Neither the Issuers nor (where applicable) the Guarantor are obliged to gross up any amounts which may be withheld or deducted pursuant to FATCA.

6. 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. Joint statements by participating Member States indicated an intention to implement the FTT by 1 January 2016, which did not take place.

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.

7. 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.

CLEARING AND SETTLEMENT

*To the best of the knowledge of each of BCP Finance and the Bank (each having taken all reasonable care to ensure that such is the case), the information in this section concerning the Clearing Systems 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 Clearstream, Luxembourg, Euroclear or Interbolsa (together, the "**Clearing Systems**") currently in effect. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Issuers, the Trustee, any agent party to the Agency Agreement, the Arranger or any of the Dealers will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.*

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each holds securities for its customers and facilitates the clearance and settlement of securities transactions by electronic book entry transfer between their respective accountholders. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depositary and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream, Luxembourg customers are worldwide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an accountholder of either system.

Book Entry Notes Held Through Interbolsa

General

Interbolsa holds security through a centralised system (*sistema centralizado*) composed by interconnected securities accounts, through which such securities (and inherent rights) are held and transferred, and which allows Interbolsa to control at all times the amount of securities so held and transferred. Issuers of securities, financial intermediaries, the Bank of Portugal, Caixa Geral de Depósitos, S.A. and Interbolsa, as the controlling entity, all participate in such centralised system.

The centralised securities system of Interbolsa provides for all procedures required for the exercise of ownership rights inherent to the Book Entry Notes held through Interbolsa.

In relation to each issue of securities, Interbolsa's centralised system comprises, inter alia, (a) the issue account, opened by the relevant 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.

Book Entry Notes held through Interbolsa will be attributed an International Securities Identification Number (ISIN code) through the codification system of Interbolsa. These Book Entry Notes will be accepted and registered with Central de Valores Mobiliários, the centralised securities system managed and operated by Interbolsa and settled by Interbolsa's settlement system.

Form of the Book Entry Notes held through Interbolsa

The Book Entry Notes of each Series will be in book entry form and title to the Book Entry Notes will be evidenced by book entries in accordance with the provisions of the Portuguese Securities Code and the applicable

CMVM and Interbolsa regulations. No physical document of title will be issued in respect of Book Entry Notes held through Interbolsa.

The Book Entry Notes of each Series will be registered in the relevant issue account opened by the Issuer with Interbolsa and will be held in control accounts by each Interbolsa Participant (as defined below) on behalf of the holders of the Book Entry Notes. Such control accounts reflect at all times the aggregate of Book Entry Notes held in the individual securities accounts opened by the holders of the Book Entry Notes with each of the Interbolsa Participants. The expression "**Interbolsa Participant**" means any authorised financial intermediary entitled to hold control accounts with Interbolsa on behalf of their customers and includes any depositary banks appointed by Euroclear and Clearstream, Luxembourg for the purpose of holding accounts on behalf of Euroclear and Clearstream, Luxembourg.

Each person shown in the records of an Interbolsa Participant as having an interest in Book Entry Notes shall be treated as the holder of the principal amount of the Book Entry Notes recorded therein.

Payment of principal and interest in respect of Book Entry Notes held through Interbolsa

Whilst the Book Entry Notes are held through Interbolsa, payment of principal and interest in respect of the Book Entry Notes will be (i) credited, according to the procedures and regulations of Interbolsa, by the relevant Paying Agent (acting on behalf of the Issuer) to the 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 Book Entry Notes or through Euroclear and Clearstream, Luxembourg to the accounts with Euroclear and Clearstream, Luxembourg of the beneficial owners of those Book Entry Notes, in accordance with the rules and procedures of Interbolsa, Euroclear or Clearstream, Luxembourg, as the case may be.

Transfer of Book Entry Notes held through Interbolsa

Book Entry Notes held through Interbolsa may, subject to compliance with all applicable rules, restrictions and requirements of Interbolsa and Portuguese law, be transferred to a person who wishes to hold such Book Entry Notes. No owner of Book Entry Notes will be able to transfer such Book Entry Notes, except in accordance with Portuguese Law and the applicable procedures of Interbolsa.

SUBSCRIPTION AND SALE AND TRANSFER RESTRICTIONS

The Programme Dealers, pursuant to an amended and restated dealer agreement dated 14 August 2014 (as amended, restated or supplemented from time to time, the "**Dealer Agreement**"), have agreed with the Issuers on the terms upon which any one or more of the Programme Dealers may from time to time agree to purchase (as principal, unless the applicable Final Terms states otherwise) Notes. Any such agreement will extend to those matters stated under "*Form of the Notes*"; "*Form of Final Terms*"; and "*Terms and Conditions of the Notes*" above. In the Dealer Agreement, each Issuer, and in the event of default of such obligation by such Issuer, the Bank (for Notes issued by BCP Finance and guaranteed by the Bank acting through its Macao branch), has agreed to reimburse the Programme Dealers for certain of their expenses in connection with the establishment and any future update of the Programme and the issue of Notes under the Programme. Each Issuer may also agree to issue Notes to Issue Dealers who shall enter into the Dealer Agreement with such Issuer for the purpose only of a particular issue or issues of Notes under the Programme on, and subject to, the terms of the Dealer Agreement. Dealers will be entitled in certain circumstances to be released from their obligations under the Dealer Agreement in respect of the issue and purchase of Notes under the Programme.

United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and Treasury regulations promulgated thereunder. The applicable Final Terms will identify whether TEFRA C rules or TEFRA D rules apply or whether TEFRA is not applicable.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver Notes (a) as part of their distribution at any time or (b) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Dealer or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager, of all Notes of the Tranche of which such Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Until 40 days after the commencement of the offering of any Series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Public Offer Selling Restriction under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Programme Dealer has represented and agreed, and each further Programme Dealer or 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 100 or, if the relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the relevant Issuer for any such offer; or
- (d) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in paragraphs (a) to (c) above shall require the relevant Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive, or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

- For the purposes of this provision, the expression an "offer of Notes to the public" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression "**2010 PD Amending Directive**" means Directive 2010/73/EU.

United Kingdom

Each Programme Dealer has represented and agreed, and each further Programme Dealer or Issue Dealer appointed under the Programme will be required to represent and agree, that:

- (a) in relation to any Notes issued by BCP Finance which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 (the "**FSMA**") by BCP Finance;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue of any Notes in circumstances in which Section 21(1) of the FSMA does not or, in the case of the Guarantor, would not, if it was not an authorised person, apply to the Issuer or the Guarantor; and

- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

The Cayman Islands

Each Programme Dealer has represented and agreed, and each further Programme Dealer or Issue Dealer appointed under the Programme will be required to represent and agree, that no invitation will be made to the Public in the Cayman Islands to purchase any Notes, whether directly or indirectly. **"Public"** for these purposes does not include a sophisticated person, a high net worth person, a company, partnership or trust of which the shareholders, unit holders or limited partners are each a sophisticated person, a high net worth person, any exempted or ordinary non-resident company registered under the Companies Law (2016 Revision) or a foreign company registered pursuant to Part IX of the Companies Law (2016 Revision) or any such company acting as general partner of a partnership registered pursuant to Section 9(1) of the Exempted Limited Partnership Law (2014 Revision) or any director or officer of the same acting in such capacity or the Trustee of any trust registered or capable of registering pursuant to Section 74 of the Trusts Law (as Revised).

Portugal

Each Programme Dealer has represented and agreed, and each further Programme Dealer or Issue Dealer appointed under the Programme will be required to represent and agree, that the Notes may not be and will not be offered to the public in Portugal under circumstances which are deemed to be a public offer under the Portuguese Securities Code ("*Código dos Valores Mobiliários*") enacted by Decree Law No. 486/99, of 13 November 1999, as amended, unless the requirements and provisions applicable to the public offerings in Portugal are met and the registration or approval by the Portuguese Securities Market Commission ("*Comissão do Mercado de Valores Mobiliários*") (the "CMVM") or a recognition procedure is made with the CMVM. In addition, each Programme Dealer has represented and agreed, and each further Programme Dealer or Issue Dealer appointed under the Programme will be required to represent and agree that (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; (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.

Italy

Unless it is specified within the relevant Final Terms that a non-exempt offer may be made in Italy, the offering of the Notes has not been registered pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor may copies of the Offering Circular or of any other document relating to the Notes be distributed in the Republic of Italy, except:

- (a) 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

- (b) 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 paragraph (a) or (b) above must be:

- (i) 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
- (ii) in compliance with Article 129 of the Banking Act, as amended, and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may request information on the issue or the offer of securities in the Republic of Italy; and
- (iii) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB or other Italian authority.

WARNING - IN RELATION TO SECURITIES WITH A DENOMINATION OF LESS THAN EUR100,000 (OR EQUIVALENT) AND WHERE THE ISSUER IS NOT AN OECD MEMBER STATE WITH AN INVESTMENT GRADE RATING ASSIGNED BY AT LEAST TWO MAIN INTERNATIONAL RATING AGENCIES, PLEASE COMPLETE THIS SELLING RESTRICTION CLAUSE WITH THE FOLLOWING SENTENCE, LEAVING IT IN ITALICS:

Please note that in accordance with Article 100-bis of the Financial Services Act, where no exemption from the rules on public offerings applies under paragraphs (i) and (ii) above, the subsequent distribution of the Notes on the secondary market in Italy must be made in compliance with the public offer and the prospectus requirement rules provided under the Financial Services Act and Regulation No. 11971. Failure to comply with such rules may result in the sale of such Notes being declared null and void and in the liability of the intermediary transferring the financial instruments for any damages suffered by the investors.

France

Each of the Dealers and the Issuers has represented and agreed that:

- (a) Public Offer in France:

It has only made and will only make a Public Offer of Notes in France in the period beginning (i) when a prospectus in relation to those Notes has been approved by the *Autorité des marchés financiers* (the "AMF"), on the date of such approval or, (ii) when a prospectus has been approved by the competent authority of another Member State of the European Economic Area which has implemented the Prospectus Directive, on the date of notification of such approval to the AMF, and ending at the latest on the date which is 12 months after the date of approval of the base prospectus all in accordance with Articles L.412-1 and L.621-8 of the French "*Code monétaire et financier*" and the "*Règlement général*" of the AMF; or

- (b) Private placement in France:

In connection with their initial distribution, it has not offered or sold and will not offer or sell, directly or indirectly, Notes to the public in France, and has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, this Offering Circular, the relevant Final Terms or any other offering material relating to the Notes, and that such offers, sales and distributions have been and will be made in France only to (i) providers of investment services relating to portfolio management for the account of third parties and/or (ii) qualified investors ("*investisseurs qualifiés*"), other than individuals, and/or (iii) a restricted group of investors ("*cercle restreint d'investisseurs*"), all as defined in, and in accordance with, Articles L.411-1, L.411-2, D.411-1 and D.411-4 of the French "*Code monétaire et financier*".

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended; the "**FIEA**"). Each Programme Dealer has agreed, and each further Programme Dealer or Issue Dealer appointed under the Programme will be required to represent and agree, that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

General

Each Programme Dealer has agreed, and each further Programme Dealer or Issue Dealer appointed under the Programme will be required to agree, that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Offering Circular and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction, in particular **Australia, South Africa and Canada**, to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuers nor any Dealer shall have any responsibility therefor.

Neither the Issuers nor any Dealer represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, in particular Australia, South Africa and Canada, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

GENERAL INFORMATION

Authorisation

The establishment and update of the Programme have been duly authorised by resolutions of the Board of Directors of the Bank dated 3 September 1998, 9 November 1999, 20 November 2000, 7 December 2001, 16 December 2002, 14 November 2003, 12 November 2004, 7 December 2005, 11 September 2006, 2 April 2007, 22 April 2008, 21 April 2009, 19 April 2010 and 5 April 2011 and by resolutions of the Executive Committee of the Bank dated 19 June 2012, 2 July 2013, 5 August 2014, 20 October 2015 and 13 December 2016 and the increase in the Programme limit was authorised by resolutions of the Board of Directors of the Bank dated 9 November 1999, 20 November 2000, 7 December 2001, 14 November 2003, 12 November 2004, 7 December 2005, 11 September 2006 and 2 April 2007. The Board of Directors of BCP Finance duly authorised the establishment and update of the Programme and the issue of Notes under the Programme by resolutions dated 7 October 1998, 11 November 1999, 24 November 2000, 17 December 2001, 17 December 2002, 19 November 2003, 19 November 2004, 12 December 2005, 18 September 2006, 17 April 2007, 22 April 2008, 27 April 2009, 20 April 2010, 9 May 2011, 25 June 2012, 12 July 2013, 12 August 2014, 20 October 2015 and 8 February 2017, and the increase in the Programme limit by resolutions dated 11 November 1999, 24 November 2000, 17 December 2001, 19 November 2003, 19 November 2004, 12 December 2005, 18 September 2006 and 17 April 2007. The giving of the Guarantee has been duly authorised by resolution of the Board of Directors of the Bank dated 28 June 2013.

Listing of Notes

The admission of Notes to the Official List will be expressed as a percentage of their nominal amount (excluding accrued interest). It is expected that each Tranche of Notes which is to be admitted to the Official List and to trading on the Irish Stock Exchange's regulated market will be admitted separately as and when issued, subject only to the issue of the relevant Note. Application has been made to the Irish Stock Exchange for the Notes issued under the Programme 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 16 February 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 each of the Issuers and from the specified office of the Paying Agents:

- (a) the constitutional documents (in English) of each 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 2014 and 31 December 2015;
- (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 published audited financial statements of BCP Finance in English and auditors' report contained in BCP Finance's Annual Report for the two financial years ended on 31 December 2014 and 31 December 2015 and the most recently available unaudited interim financial statements of BCP Finance (if any);
- (e) the Agency Agreement, the Instrument, and the Trust Deed (containing the forms of Temporary Bearer Global Notes, Permanent Bearer Global Notes, Notes in definitive form, Coupons and Talons from time to time issuable under the Programme);
- (f) copy of this Offering Circular; and

- (g) 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 Bearer Notes have been accepted for clearance through Clearstream, Luxembourg and Euroclear. The appropriate common code and ISIN for each Tranche of Bearer Notes allocated by Clearstream, Luxembourg and Euroclear will be specified in the applicable Final Terms.

The Book Entry Notes will be accepted for clearance through Interbolsa. The appropriate ISIN for each Tranche of Book Entry Notes will be specified in the applicable Final Terms.

If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Final Terms.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels. The address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

The address of Interbolsa is Avenida da Boavista, 3433-4100 Oporto.

Conditions for determining price

The price and amount of Notes to be issued under the Programme will be determined by the Issuer and each relevant Dealer at the time of issue in accordance with prevailing market conditions.

Yield

In relation to any Tranche of Fixed Rate Notes, an indication of the yield in respect of such Notes will be specified in the applicable Final Terms. The yield is calculated at the Issue Date of the Notes on the basis of the relevant Issue Price, using the formula set out below. The yield indicated will be calculated as the yield to maturity as at the Issue Date of the Notes and will not be an indication of future yield.

$$P = \frac{C}{r}(1 - (1 + r)^{-n}) + A(1 + r)^{-n}$$

Where:

"P" is the Issue Price of the Notes;

"C" is the annualised amount of interest payable;

"A" is the principal amount of Notes due on redemption;

"n" is time to maturity in years; and

"r" is the annualised yield.

Significant or Material Change

Except for the Rights Offering, there has been no significant change in the financial or trading position of the Banco Comercial Português Group since 30 September 2016. 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 2015.

There has been no significant change in the financial or trading position of BCP Finance since 30 June 2016. There has been no material adverse change in the prospects of BCP Finance since the date of the last audited accounts, 31 December 2015.

Litigation

1. On 27 December 2007, the Bank was notified by Banco de Portugal of administrative proceeding No. 24/07/CO, with respect, in accordance with the accusation of which the Bank was notified on 12 December 2008, to six alleged breaches of accounting rules and three alleged provisions of false or incomplete information to Banco de Portugal, and timely submitted its defence. On 12 May 2010, the Bank was notified of the decision by the Board of Directors of Banco de Portugal, applying to the Bank a single fine of EUR 5 million, for all the mentioned alleged infractions, in addition to fines against certain other non-acquitted individuals. The Bank appealed this decision to Tribunal de Pequena Instância Criminal de Lisboa.

Following several intermediate decisions and appeals (namely, an intermediate decision that considered expired two alleged administrative offences concerning breach of accounting rules), by a ruling of Lisbon's Court of Appeal, of 9 June 2015, BCP's appeal was granted partial approval and, consequently, some of the charges concerning the alleged provision of false information to Banco de Portugal were considered expired and BCP was considered acquitted on the remaining charges concerning the same alleged administrative offence (which were not considered expired). Furthermore, BCP was also acquitted from two alleged administrative offences concerning breach of accounting rules. Lisbon's Court of Appeal maintained BCP's conviction on the account of two other administrative offences concerning breach of accounting rules. Thereafter, Lisbon's Court of Appeal reduced the fine in which BCP had been convicted by Tribunal de Pequena Instância Criminal de Lisboa (EUR 4,000,000) to EUR 750,000. The Bank and one of the defendants (individual) appealed this judgment to the Constitutional Court but these appeals were denied. The judgment of the Lisbon Court of Appeal has become definitive and final.

2. In July 2009, the Bank was notified of the accusation brought about by the Public Prosecutor in a criminal process against five former members of the Board of Directors of the Bank, related mainly to the abovementioned facts, and to present in this process a request for an indemnity.

Considering this notification, and although considering as reproduced the contents of the defence presented in the abovementioned administrative proceedings, the Bank decided, in order to avoid any risk of a future allegation of loss of the right to an indemnity that may occur if no recourse is presented in this process, to present legal documentation claiming: (i) the recognition of its right, in a later period namely following the final identification of the facts, to present a separate process in civil courts requesting an indemnity and (ii) additionally and cautiously, if the right to the request of a separate indemnity process in civil courts is not recognised, a civil indemnity according to the facts and terms mentioned in the accusation, if they are proven.

On 19 July 2011 the Bank was notified of the decision of the 8ª Vara Criminal de Lisboa (Lisbon criminal court section) that recognised that the Bank could present an eventual request for civil indemnity separately. One of the Defendants appealed this decision to the Court of Appeals, which was admitted by the first instance court but has a merely devolutive effect, being passed to the higher court only with the eventual appeal of the first instance Court's sentence.

Through a sentence issued on 2 May 2014, three of the four defendants were sentenced to suspended prison sentences (to 2 years) and to the payment of fines amounting to EUR 300,000 and EUR 600,000, disqualification for the exercise of banking functions and publication of the sentence in a widely-read newspaper.

By ruling of Lisbon's Court of Appeal of 25 February 2015, the sentence issued by the Lisbon criminal court section was confirmed. This decision has become definitive and final.

3. In December 2013, the company Sociedade de Renovação Urbana Campo Pequeno, S.A., in which the Bank holds a 10% stake as a result of a conversion of credits, has filed an action for EUR 75,735,026.50 against the Bank in order to obtain (i) the acknowledgement that a loan agreement entered into by such company and the Bank on 29 May 2005 constitutes a shareholders loan instead of a pure bank loan; (ii) the reimbursement of the loaned amount

to be made according to the existent shareholders agreement; (iii) the nullification of several mortgages established in favour of the defendant between 1999 and 2005 and (iv) the statement of non-existence of a debt related represented by a promissory note (held by the company) acting as security. The Bank believes that, having in consideration the facts argued by the plaintiff, the suit shall be deemed unfounded.

One of the plaintiff's creditors has filed an insolvency requirement regarding the plaintiff, having the Bank claimed credits in the amount of EUR 82,253,962.77, which has caused the suspension of the abovementioned action.

4. 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.

In November 2016, the Competition Authority stated that it had reopened its investigation.

5. 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 giving certain clauses contained in the mortgage loan agreements denominated in Swiss francs. In the referred class action, clients have questioned a set of those agreement's 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. Currently, the issue of whether the case may be heard in group action proceedings is awaiting resolution by the Court of Appeal.

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 0.81 million considering the exchange rate EUR/PLN 4.3192 at 30 September 2016) 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. The Bank will appeal this decision.

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.

6. 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 defense 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 either of the Issuers 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 2014 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 for each of the two years ended 31

December 2014 and 31 December 2015 by KPMG & Associados, SROC, S.A., independent certified public accountants and a member of the Portuguese Institute of Statutory Auditors (*Ordem dos Revisores Oficiais de Contas*).

All financial information in this Offering Circular relating to the Bank for the years ended on 31 December 2014 and 31 December 2015 has been extracted without material adjustment from the audited financial statements of the Bank for the financial years then ended.

The auditors of BCP Finance are Deloitte & Touche, situated at Citrus Grove Building, Goring Avenue, P.O.Box 1787, KY1-1109, Grand Cayman, Cayman Islands.

The financial statements of BCP Finance for each of the financial years on 31 December 2014 and 31 December 2015 were prepared in accordance with IFRS and audited in accordance with International Standards on Auditing by KPMG independent certified public accountants.

The Trust Deed provides that the Trustee may rely on certificates or reports from the auditors or any other expert or other person in accordance with the provisions of the Trust Deed whether or not any such certificate or report or any engagement letter or other document entered into by the Trustee and the auditors or any other expert or other person in connection therewith contains any limit on the liability of the auditors or any other expert or other person.

Dealers transacting with the Issuer and the Bank

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in financing, in investment banking and/or commercial banking transactions with, and may perform services for, the Issuer, the Bank and their affiliates in the ordinary course of business. They have received, or may in the future receive, customary fees and commissions for these transactions. 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 any of the Issuers or their respective 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, the Bank or their affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuer or the Bank routinely hedge their credit exposure to the Issuer or the Bank in a way consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such 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 BCP FINANCE

BCP Finance Bank, Ltd.
Strathvale House
3rd Floor
90 North Church Street
PO Box 30124 George Town
Grand Cayman KY1-1201
Cayman Islands

REGISTERED OFFICE OF THE BANK

Banco Comercial Português, S.A.
Praça Dom João I, 28
4000-295 Oporto
Portugal

TRUSTEE

The Law Debenture Trust Corporation p.l.c.
Fifth Floor
100 Wood Street
London EC2V 7EX

AGENT

Citibank, N.A., London Branch
6th Floor
Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB

PAYING AGENTS

Citibank, N.A., London Branch
6th Floor
Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB

Banque Internationale à Luxembourg
69 route d'Esch
L-2953 Luxembourg

PORTUGUESE PAYING AGENT

Banco Comercial Português, S.A.
Av. Dr. Mário Soares (TAGUS PARK)
Building 7, Floor 1 – Wing B
2744-005 Porto Salvo
Portugal

LISTING AGENT

Maples and Calder
75 St. Stephen's Green
Dublin 2
Ireland

LEGAL ADVISERS

To the Dealers as to English law

Allen & Overy LLP
One Bishops Square
London E1 6AD

To the Issuers as to Cayman Islands law

Stuarts Walker Hersant Humphries
Cayman Financial Centre
36A Dr Roy's Drive
PO Box 2510
Grand Cayman KYI-1104
Cayman Islands

To the Issuers as to Portuguese law

**Morais Leitão, Galvão Teles, Soares da Silva &
Associados, Sociedade de Advogados, RL**
Rua Castilho, 165
1070-050 Lisbon

AUDITORS OF THE BANK

(from 5 May 2016)

Deloitte & Associados, SROC, S.A.
Av. Eng. Duarte Pacheco, 7
1070-100 Lisbon
Portugal

(up to 4 May 2016)

KPMG & Associados, SROC, SA
Edifício Monumental
Av. Praia da Vitoria 71 - A, 11º
1069-006 Lisbon
Portugal

AUDITORS OF BCP FINANCE

(from 3 August 2016)

Deloitte & Touche
One Capital Place
P.O.Box 1787
Grand Cayman, KY1-1109
Cayman Islands

(up to 3 August 2016)

KPMG
PO Box 493
Grand Cayman, KY1-1106
Cayman Islands

ARRANGER

UBS Limited
5 Broadgate
London EC2M 2QS

DEALERS

Banca IMI S.p.A.

Largo Mattioli 3
20121 Milan

Banco Comercial Português, S.A.

Avenida Prof. Dr. Cavaco Silva (Tagus Park)
Building 2, Floor 2 – Wing A
2740-256 Porto Salvo

Barclays Bank PLC

5 The North Colonnade
Canary Wharf
London E14 4BB

Citigroup Global Markets Limited

Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB

Deutsche Bank AG, London Branch

Winchester House
1 Great Winchester Street
London EC2N 2DB

J.P. Morgan Securities plc

25 Bank Street
Canary Wharf
London E14 5JP

Morgan Stanley & Co. International plc

25 Cabot Square
Canary Wharf
London E14 4QA

Banco ActivoBank, S.A.

Tagus Park - Building 9, Floor 0
2744-005 Porto Salvo

Banco Santander Totta, S.A.

Rua da Mesquita, n° 6, Torre B, 2º-A
1070-238 Lisbon

BNP Paribas

10 Harewood Avenue
London NW1 6AA

Credit Suisse Securities (Europe) Limited

One Cabot Square
London E14 4QJ

HSBC Bank plc

8 Canada Square
London E14 5HQ

Merrill Lynch International

2 King Edward Street
London EC1A 1HQ

**The Royal Bank of Scotland plc (trading as
NatWest Markets)**

250 Bishopsgate
London EC2M 4AA

UBS Limited

5 Broadgate
London EC2M 2QS