



BCP Finance Company

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

€500,000,000 Series D Perpetual Non-cumulative Guaranteed Non-voting Step-Up Preference Shares

guaranteed on a subordinated basis to the extent set forth herein by

Banco Comercial Português, S.A.

acting through its international Madeira branch ("*Sucursal Financeira Internacional*")

(incorporated with limited liability under the laws of Portugal)

Issue Price: EUR 50,000.00 per Series D Preference Share

Unless expressly indicated otherwise, the terms and expressions used herein have the same meanings as given to them in the "*Description of the Series D Preference Shares*".

€500,000,000 Series D Perpetual Non-cumulative Guaranteed Non-voting Step-Up Preference Shares of par value EUR 50,000.00 each (the "**Series D Preference Shares**") are proposed to be issued by BCP Finance Company (the "**Issuer**") on 13 October 2005 (the "**Closing Date**"). The payment of dividends and payments on liquidation of the Issuer or on redemption with respect to the Series D Preference Shares are guaranteed on a subordinated basis by Banco Comercial Português, S.A. (the "**Bank**" or "**Millennium bcp**"), acting through its international Madeira branch ("*Sucursal Financeira Internacional*") to the extent described in "*The Subordinated Guarantee*".

The Series D Preference Shares will entitle Holders to receive (subject to the limitations described in "*Description of the Series D Preference Shares*") non-cumulative preferential cash dividends, accruing from the Closing Date and payable annually in arrear on 13 October in each year, commencing on 13 October 2006 up to and including 13 October 2015 (the "**First Call Date**"), and thereafter quarterly in arrear on 13 January, 13 April, 13 July and 13 October in each year, commencing on 13 January 2016. In relation to a Dividend Period commencing on the Closing Date or any Dividend Date prior to but excluding the First Call Date, the rate of Dividend shall be 4.239 per cent. per annum. In relation to a Dividend Period commencing on the First Call Date or any Dividend Date thereafter, the rate of Dividend shall be 1.95 per cent. per annum above Three Month EURIBOR.

The Series D Preference Shares are perpetual securities and have no fixed redemption date. However, the Series D Preference Shares may be redeemed at the option of the Issuer in whole or in part on the First Call Date and on any Dividend Date falling thereafter, upon not less than 30 nor more than 60 days notice, each to be redeemed at the Redemption Price plus accrued and unpaid Dividends in respect of the most recent Dividend Period. Such redemption is subject to the prior consent of the Bank and the Bank of Portugal.

In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Issuer, Holders of Series D Preference Shares will be entitled to receive for each Series D Preference Share a liquidation preference of EUR 50,000.00 plus accrued and unpaid Dividends for the then current applicable Dividend Period to the date of payment, subject to the limitations described in "*Description of the Series D Preference Shares – Liquidation Distributions*".

The Series D Preference Shares are expected to be rated "A3" by Moody's Investors Service Inc., "BBB" by Standard & Poor's Rating Service and "A" by Fitch Ratings Ltd. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the relevant rating organisation.

Application has been made to the Financial Services Authority in its capacity as competent authority under the Financial Services and Markets Act 2000 (the "**UK Listing Authority**") for the Series D Preference Shares to be admitted to the official list of the UK Listing Authority (the "**Official List**") and to the London Stock Exchange plc (the "**London Stock Exchange**") for the Series D Preference Shares to be admitted to trading on the London Stock Exchange's Gilt Edged and Fixed Interest Market.

References in this Offering Circular to Series D Preference Shares being "**listed**" (and all related references) shall mean that such Series D Preference Shares have been admitted to trading on the London Stock Exchange's Gilt Edged and Fixed Interest Market and have been admitted to the Official List. The London Stock Exchange's Gilt Edged and Fixed Interest Market is a regulated market for the purposes of Directive 93/22/EEC (the "**Investment Services Directive**").

See "*Risk Factors*" for a discussion of certain factors that should be considered by prospective investors.

The Series D Preference Shares will be represented on issue by a single global certificate in registered form (the "**Global Certificate**"). The Global Certificate will be registered in the name of Chase Nominees Limited as nominee for, and will be deposited with, a common depositary for Euroclear Bank S.A./N.V., as operator of the Euroclear system ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**") on or around the Closing Date.

JPMorgan

Merrill Lynch International

Millennium bcp investimento

The date of this Offering Circular is 12 October 2005

This Offering Circular comprises a prospectus for the purposes of Directive 2003/71/EC (the “Prospectus Directive”).

Each of the Issuer and the Bank (the “Responsible Persons”) accepts responsibility for the information contained in this Offering Circular. To the best of the knowledge and belief of the Issuer 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*”).

The Managers have not separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Managers or any of them as to the accuracy or completeness of the information contained in this Offering Circular or any other information provided by the Issuer or the Bank in connection with the Series D Preference Shares or their distribution.

No person has been authorised to give any information or to make any representation other than those contained in this Offering Circular and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Bank or the Managers (as defined under “*Subscription and Sale*” below). Neither the delivery of this Offering Circular nor any subscription, sale or purchase made in connection herewith shall, in any circumstances, create any implication that there has been no change in the affairs of the Issuer or the Bank since the date hereof.

Prospective investors should inform themselves as to the legal requirements and tax consequences within the countries of their residence and domicile for the acquisition, holding or disposition of Series D Preference Shares and any foreign exchange restrictions that might be relevant to them. This Offering Circular does not constitute an offer of, or an invitation by or on behalf of, the Issuer, the Bank or the Managers to subscribe for or purchase any of the Series D Preference Shares.

Prospective investors should satisfy themselves that they understand all the risks associated with making investments in the nature of the Series D Preference Shares. If a prospective investor is in any doubt whatsoever as to the risks involved in investing in the Series D Preference Shares, he should consult his or her professional advisers.

The distribution of this Offering Circular and the offering of the Series D Preference Shares in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, the Bank and the Managers to inform themselves about, and to observe, any such restrictions.

No action has been taken as a matter of the laws of any jurisdiction to permit the public offering of the Series D Preference Shares in any jurisdiction. Accordingly, the Series D Preference Shares may not be offered or sold, directly or indirectly and this Offering Circular may not be distributed in any jurisdiction, except in accordance with the legal requirements applicable in that jurisdiction. In particular, the Series D Preference Shares have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the “Securities Act”). Subject to certain exceptions, the Series D Preference Shares may not be offered, sold or delivered within the United States or to U.S. persons. A further description of certain restrictions on the offering and sale of the Series D Preference Shares and on the distribution of this Offering Circular is given under “*Subscription and Sale*” below.

The Series D Preference Shares are only suitable for financially sophisticated investors who are capable of evaluating the risks involved in investing in the Series D Preference Shares.

Unless otherwise specified or the contract requires, references to “€”, “euro” and “EUR” are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the EC Treaty, as amended from time to time. References to “U.S.\$”, “USD” and “U.S. dollars” are to the lawful currency of the United States of America.

Reference to a “billion” are to a thousand million.

IN CONNECTION WITH THIS ISSUE, MERRILL LYNCH INTERNATIONAL OR ANY PERSON ACTING FOR IT MAY OVER-ALLOT (PROVIDED THAT THE AGGREGATE PRINCIPAL AMOUNT OF THE SERIES D PREFERENCE SHARES ALLOTTED DOES NOT EXCEED 105 PER CENT. OF THE AGGREGATE PRINCIPAL AMOUNT OF THE SERIES D PREFERENCE SHARES) OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE SERIES D PREFERENCE SHARES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL FOR A LIMITED PERIOD. HOWEVER, THERE IS NO ASSURANCE THAT MERRILL LYNCH INTERNATIONAL (OR ANY PERSON ACTING ON BEHALF OF IT) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE SERIES D PREFERENCE SHARES IS MADE AND, IF BEGUN, WILL BE IN COMPLIANCE WITH ALL RELEVANT LAWS AND REGULATIONS AND MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE CLOSING DATE AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE SERIES D PREFERENCE SHARES.

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DOCUMENTS INCORPORATED BY REFERENCE

The annual reports of the Bank for the years ended 31 December 2003 and 2004, which have previously been published and have been filed with the Financial Services Authority, shall be incorporated in, and form part of, this Offering Circular.

Copies of these annual reports can be obtained from the registered offices of the Issuer and the Bank and from the specified offices of the Paying and Transfer Agents.

SUMMARY

The following summary is qualified in its entirety by the more detailed information and financial statements included elsewhere in this Offering Circular. When deciding whether to invest, prospective investors should consider carefully the entirety of this Offering Circular. Prospective investors should also consider carefully, amongst other things, the factors set out under “Risk Factors” below. Capitalised terms used but not defined in this summary shall bear the respective meanings ascribed to them under “Description of the Series D Preference Shares” below.

Following the implementation of the relevant provisions of the Prospectus Directive in each Member State of the European Economic Area, no civil liability will attach to the Responsible Persons in any such Member State in respect of this Summary, including any translation hereof, unless it is misleading, inaccurate or inconsistent when read together with the other parts of this Offering Circular. Where a claim relating to information contained in this Offering Circular is brought before a court in a Member State of the European Economic Area, the plaintiff may, under the national legislation of the Member State where the claim is brought, be required to bear the costs of translating the Offering Circular before the legal proceedings are initiated.

- Issuer:** BCP Finance Company, a wholly-owned direct Subsidiary of the Bank, incorporated as an exempted company under the Cayman Islands Companies Law (as revised).
- Guarantor:** Banco Comercial Português, S.A. (the “Bank”), acting through its international Madeira branch (“Sucursal Financeira Internacional”).
- Issue Size:** EUR 500,000,000.
- Issue Details:** €500,000,000 Series D Perpetual Non-cumulative Guaranteed Non-voting Step-Up Preference Shares, each with a par value and a liquidation preference of EUR 50,000.00.
- The Subordinated Guarantee (as defined below) of the Series D Preference Shares by the Bank is intended to provide Holders of the Series D Preference Shares, as nearly as possible, with rights to Dividends and on liquidation equivalent to those to which the Holders would be entitled if they held senior preferred or preference shares of the Bank.
- Risk Factors:** There are certain factors that may affect the Issuer’s ability to fulfil its obligations under the Series D Preference Shares. There are also certain factors that may affect the Bank’s ability to fulfil its obligations under the Subordinated Guarantee. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with the Series D Preference Shares. For a consideration of these factors, see “Risk Factors” below.
- Dividends:** Dividends will be payable annually in arrear on 13 October in each year, commencing on 13 October 2006 up to and including the First Call Date, and thereafter quarterly in arrear on 13 January, 13 April, 13 July and 13 October in each year commencing on 13 January 2016 by the Issuer, when, as and if declared by the Board of Directors (or an authorised committee thereof) of the Issuer.

For the avoidance of doubt, Dividends will be payable by the Issuer if they are declared by the Board of Directors (or an authorised committee thereof) of the Issuer; such declaration is at the discretion of the Board of Directors (or authorised committee thereof) of the Issuer.

In relation to a Dividend Period commencing on the Closing Date or any Dividend Date prior to but excluding the First Call Date, the rate of Dividend shall be 4.239 per cent. per annum.

In relation to a Dividend Period commencing on the First Call Date or any Dividend Date thereafter, the rate of Dividend shall be 1.95 per cent. per annum above Three Month EURIBOR.

Subordinated Guarantee:

The payment of Dividends (if declared) and payments of the liquidation preference amount on liquidation of the Issuer or redemption, and any Additional Amounts will be guaranteed by the Bank, acting through its international Madeira branch ("*Sucursal Financeira Internacional*") pursuant to a subordinated guarantee (the "**Subordinated Guarantee**") dated 13 October 2005 and executed as a deed poll.

Subject to applicable law, the Subordinated Guarantee will rank:

- junior to all Senior Creditors;
- *pari passu* with the Bank's obligations under the guarantees of the Series B Preference Shares and the Series C Preference Shares and with any other Liquidation Parity Obligations of the Bank, if any; and
- senior to all Junior Obligations.

The Bank will undertake in the Subordinated Guarantee that if it issues any preferred or preference shares which would rank senior to its obligations under the Subordinated Guarantee or if it gives any guarantee in respect of any preferred or preference shares issued by any Subsidiary which guarantee would rank senior to the Subordinated Guarantee (including, without limitation, any guarantee that would provide a priority of payment with respect to Distributable Funds) it will, on the date of issue of such preferred or preference shares, change the Subordinated Guarantee to give the Holders such rights and entitlements as are contained in or attached to such other guarantee so that the Subordinated Guarantee ranks *pari passu* with, and contains substantially equivalent rights or priority as to payment of Distributable Funds, as any such preferred or preference shares or other guarantee.

In addition, the Bank will undertake in the Subordinated Guarantee to pay or set aside the amount necessary to pay in full (a) the most recent scheduled Dividend prior to the First Call Date or (b) the four most recent quarterly scheduled Dividends after the First Call Date, before the Bank (i) issues preferred or preference shares ranking *pari passu* with its obligations under the Subordinated Guarantee, or (ii) guarantees payments in respect of any preferred or preference shares of

any direct or indirect Subsidiary (including the Issuer) ranking *pari passu* with its obligations under the Subordinated Guarantee.

The Bank will agree in the Subordinated Guarantee that if any Guarantee Payments (as defined in the “*Subordinated Guarantee*” below) in respect of any Dividend payable in respect of the most recent Dividend Period if on or before the First Call Date, or if thereafter, the four most recent quarterly Dividend Periods, have not been paid, whether by reason of limitations on payments of Dividends or otherwise, the Bank will pay such amount prior to payment of any dividends (except dividends in the form of the Bank’s ordinary shares or other shares of the Bank ranking junior to the obligations of the Bank under the Subordinated Guarantee) upon the Bank’s ordinary shares or any other shares of the Bank ranking junior to the Subordinated Guarantee (whether issued directly or by a Subsidiary and entitled to the benefits of a guarantee ranking junior to the Subordinated Guarantee) or other distributions in respect thereof.

In the event that any scheduled Dividends have not been paid in full, the Bank will undertake in the Subordinated Guarantee to pay or set aside payment with respect to full Dividends on all outstanding Series D Preference Shares for the equivalent of (i) one Dividend Date prior to the First Call Date and (ii) four consecutive Dividend Dates after the First Call Date, before the Bank’s ordinary shares or any other shares of the Bank ranking *pari passu* with or junior to the Subordinated Guarantee (whether issued directly or by a Subsidiary and entitled to the benefits of a guarantee ranking *pari passu* with or junior to the Subordinated Guarantee) are redeemed, repurchased, or otherwise acquired for any consideration (or any monies be paid or made available for a sinking fund for the redemption of any such shares) by the Bank (except by conversion into or in exchange for shares of the Bank ranking junior to the Subordinated Guarantee).

The Bank will agree in the Subordinated Guarantee to maintain the Issuer, or procure that the Issuer is maintained, as a Subsidiary for so long as the Series D Preference Shares shall remain in issue.

The Bank will agree in the Subordinated Guarantee that, so long as any of the Series D Preference Shares are outstanding unless (i) the Bank of Portugal gives its prior consent (ii) remedy proceedings have been commenced by the Bank of Portugal in accordance with the Legal Framework for Credit Institutions and Financial Companies, in relation to the Bank or (iii) the Bank is in liquidation, dissolution or winding up proceedings, the Bank will not agree, or take any action to cause, the liquidation, dissolution or winding up of the Issuer.

Limitations on Payments:

The Bank will not be obliged to make any Guarantee Payment (as defined under “*The Subordinated Guarantee*”) in respect of Dividends (including accrued and unpaid Dividends relating to any payment upon redemption or Liquidation Distribution and any Additional Amounts

payable by the Issuer in respect of Dividends) under the Subordinated Guarantee:

- (a) to the extent that such Guarantee Payment, together with the amount of:
 - (i) any Dividends (including any Additional Amounts relating thereto) previously paid by the Issuer or the Bank in respect of the Series D Preference Shares and distributions previously paid in respect of Dividend Parity Obligations, in each case in the then current fiscal year; and
 - (ii) any Dividends (including any Additional Amounts relating thereto) proposed to be paid by the Issuer in respect of the Series D Preference Shares and distributions proposed to be paid in respect of Dividend Parity Obligations, in each case in the then current fiscal year, if on or before the First Call Date, or, if thereafter, in the then current calendar quarter;would exceed Distributable Funds of the Bank; and
- (b) even if Distributable Funds of the Bank are sufficient, if, in the judgment of the Board of Directors of the Bank after consultation with the Bank of Portugal, such payment would otherwise breach or cause a breach by the Bank of the Capital Adequacy Regulations.

In the event that the payments described above cannot be made in full by reason of such limitation, such payments will be made *pro rata* in the proportion that the amount available for payment bears to the full amount that would have been payable but for such limitation.

Withholding Tax and Additional Amounts:

Subject to customary exceptions, the Issuer, or the Bank pursuant to the Subordinated Guarantee, will pay such Additional Amounts to each Holder of the Series D Preference Shares as may be necessary in order that every net payment in respect of the Series D Preference Shares, after withholding for any taxes imposed by the Cayman Islands or Portugal, as the case may be, will not be less than the amount otherwise required to be paid subject to the exceptions described under “*Description of the Series D Preference Shares – Additional Amounts*” in relation to the Series D Preference Shares and “*The Subordinated Guarantee*” in relation to payments under the Subordinated Guarantee.

The obligations of the Bank to pay any such Additional Amounts are subject to limitations described in “*Limitations on Payments*” above.

No Fixed Maturity:

The Series D Preference Shares are perpetual and not subject to any mandatory redemption provisions and may only be redeemed in the circumstances described below.

Optional Redemption:

The Issuer may, subject to the laws of the Cayman Islands and with the prior consent of the Bank and the Bank of Portugal, redeem, in whole

or in part, the Series D Preference Shares on any Dividend Date on or after the First Call Date at the Optional Redemption Price.

Tax Event Redemption:

If, at any time, a Tax Event occurs and is continuing, the effect of which cannot be avoided by the Issuer or the Bank taking reasonable measures available to it, the Series D Preference Shares are redeemable, in whole but not in part, at the option of the Issuer, subject to the laws of the Cayman Islands and with the prior consent of the Bank and the Bank of Portugal. The price payable on redemption, in respect of each Series D Preference Share, shall be

- (A) if the Redemption Date is prior to but excluding the First Call Date: (i) in the case of a Tax Event described in paragraphs (a) or (b) of the definition of Tax Event below, the Optional Redemption Price or (ii) in the case of a Tax Event described in paragraphs (c) or (d) of the definition of Tax Event below, the higher of (x) the Optional Redemption Price and (y) the Make Whole Redemption Price; or
- (B) if the Redemption Date is on or after the First Call Date, the Optional Redemption Price.

“Tax Event” means that, as a result of a change in any law or regulation of Portugal or the Cayman Islands, or in any treaty to which Portugal or the Cayman Islands is a party, or in the official interpretation or application of any law, regulation or treaty by any relevant body in Portugal or the Cayman Islands:

- (a) payments to Holders non resident in Portugal or the Cayman Islands would be subject to deduction or to withholding tax or would give rise to any obligation of the Issuer or the Bank to account for any tax in the Cayman Islands or Portugal; or
- (b) the Bank would be unable for reasons outside its control to procure payment by the Issuer and in making payments under the Subordinated Guarantee, such payments by the Bank would be subject to deduction or to withholding tax in Portugal; or
- (c) the Issuer or the Bank would be subject to more than a *de minimis* amount of tax in respect of the Series D Preference Shares or the Subordinated Guarantee in the Cayman Islands or Portugal; or
- (d) the Bank would not obtain relief for the purposes of Portuguese corporation tax for any payment of interest on any inter-company lending of the proceeds of the Series D Preference Shares.

Capital Disqualification Event Redemption:

If, at any time, a Capital Disqualification Event occurs and is continuing, the Series D Preference Shares are redeemable, in whole but not in part, at the option of Issuer, subject to the laws of the Cayman Islands and with the prior consent of the Bank and the Bank of Portugal. The price payable on redemption, in respect of each Series D

Preference Share, shall be the higher of (i) the Optional Redemption Price and (ii) the Make Whole Redemption Price.

Liquidation Distributions:

The Bank has agreed that, so long as any of the Series D Preference Shares are outstanding, unless (i) the Bank of Portugal gives its prior consent, (ii) remedy proceedings have been commenced by the Bank of Portugal in accordance with the Legal Framework for Credit Institutions and Financial Companies, in relation to the Bank or (iii) the Bank is in liquidation, dissolution or winding up proceedings, the Bank will not agree, or take any action to cause, the liquidation, dissolution or winding up of the Issuer.

If the Issuer is voluntarily or involuntarily liquidated, dissolved or wound up, each Holder of Series D Preference Shares then outstanding will be entitled to receive an amount equal to the Liquidation Distribution.

Such entitlement will arise before any distribution of assets is made to Holders of Ordinary Shares or any other class of shares of the Issuer ranking junior as regards participation in assets to the Series D Preference Shares, but such entitlement will rank equally with the entitlement of the Holders of any Liquidation Parity Obligations of the Issuer.

However, even if sufficient assets of the Issuer are available to pay the Liquidation Distribution as described above, if proceedings are pending or commenced voluntarily or involuntarily to liquidate, dissolve or wind up the Bank when such Liquidation Distribution is to be paid, then the provisions below will apply.

The Liquidation Distribution per share paid to Holders of the Series D Preference Shares and the liquidating distribution per share paid to holders of Liquidation Parity Obligations of the Issuer shall not exceed the amount per share that would have been paid as the liquidating distribution from the assets of the Bank (after payment in full in accordance with Portuguese law of all Senior Creditors) had the Series D Preference Shares and all such Liquidation Parity Obligations of the Issuer been issued by the Bank and ranked:

- (i) junior to all Senior Creditors,
- (ii) *pari passu* with the most senior preferred or preference shares or with other securities qualifying as tier 1 capital and ranking *pari passu* with the most senior preferred or preference shares (if any) of the Bank; and
- (iii) senior to all Junior Obligations.

If the Liquidation Distribution on the Series D Preference Shares and any other such liquidating distributions described above cannot be made in full by reason of the limitation described above, such payments will be made *pro rata* in the proportion that the amount available for

that payment bears to the full amount that would have been paid but for such limitation.

After payment of the amount of the Liquidation Distribution on the Series D Preference Shares, as adjusted if applicable, the Holders of the Series D Preference Shares will have no right or claim to any of the remaining assets of the Issuer or the Bank.

Voting Rights:

Except in very limited circumstances, Holders of the Series D Preference Shares will not be entitled to vote at any meeting of shareholders of the Issuer. Holders of the Series D Preference Shares (together with the holders of any other preferred or preference shares having the right to vote for the election of directors in such event) are entitled to elect two additional directors of the Issuer's Board of Directors if the Bank is in breach of its payment obligations under the Subordinated Guarantee and Dividends have not been paid in full for (i) one Dividend Date prior to the First Call Date or (ii) four consecutive Dividend Dates after the First Call Date.

Such directors must vacate their office if Dividend payments are resumed in full for one Dividend Date prior to the First Call Date or for four consecutive Dividend Dates after the First Call Date.

For a fuller description see "*Description of the Series D Preference Shares – 8. Voting Rights*".

Form of the Series D Preference Shares:

The Series D Preference Shares will be in registered form. The Series D Preference Shares will be represented on issue by the Global Certificate which will be deposited with, and registered in the name of Chase Nominees Limited as a nominee for, a common depositary for Euroclear and Clearstream, Luxembourg on or around the Closing Date. Definitive certificates will only be issued in exceptional circumstances (as further described in "*Description of the Series D Preference Shares – 11. Form, Registration and Transfers of Series D Preference Shares*").

While the Series D Preference Shares are represented by the Global Certificate, the Series D Preference Shares will be tradeable in the clearing systems in an amount equal to EUR 50,000 per Series D Preference Share and integral multiples of EUR 1,000 thereafter.

Expected Ratings:

The Series D Preference Shares are expected to be rated "A3" by Moody's Investors Service, Inc., "BBB" by Standard & Poor's Rating Service and "A" by Fitch Ratings Ltd. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the relevant rating organisation.

Governing Law:

The Memorandum and Articles of Association of the Issuer and the Series D Preference Shares will be governed by, and construed in accordance with, Cayman Islands law.

The Subordinated Guarantee of the Bank will be governed by, and construed in accordance with, English law, except for certain provisions concerning the subordination of the Subordinated Guarantee, which will be governed by, and construed in accordance with, Portuguese law.

Listing:

Application has been made to the UK Listing Authority for the Series D Preference Shares to be admitted to the Official List and to the London Stock Exchange for the Series D Preference Shares to be admitted to trading on the London Stock Exchange's Gilt Edged and Fixed Interest Market.

RISK FACTORS

Prospective investors should consider carefully the following information in conjunction with the other information contained in this Offering Circular before investing in the Series D Preference Shares.

Each of the Issuer and the Bank believes that the following factors may affect its ability to fulfil its obligations under the Series D Preference Shares and the Subordinated Guarantee, respectively. Most of these factors are contingencies which may or may not occur and neither the Issuer nor the Bank is in a position to express a view on the likelihood of any such contingency occurring.

In addition, factors which are material for the purpose of assessing the market risks associated with the Series D Preference Shares are also described below.

Each of the Issuer and the Bank believes that the factors described below represent the principal risks inherent in investing in the Series D Preference Shares, but the Issuer or the Bank (as the case may be) not being able or obliged to pay Dividends or other amounts on or in connection with any Series D Preference Share or under the Subordinated Guarantee may occur for other reasons and neither the Issuer nor the Bank represents that the statements below regarding the risks of holding any Series D Preference Shares are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Offering Circular and reach their own views prior to making any investment decision.

Risk factors that may affect the Bank's ability to fulfil its obligations under the Subordinated Guarantee.

The downturn in the Portuguese economy has adversely affected the Bank's financial condition and results of operations and may continue to do so in the future if robust economic growth fails to resume.

The Bank is dependent on the state of the Portuguese economy. For the year ended 31 December 2004, approximately 93.5 per cent. of the Bank's income was derived from activities in Portugal. Portuguese GDP growth in 2004 was 1.1 per cent. (source: *Bank of Portugal's Economic Bulletin; Summer 2005*), chiefly due to the growth of private consumption and to the mild recovery of gross fixed capital formation, which more than offset the negative contribution of net foreign demand. The process of gradual endogenous adjustment of the financial situation of the private sector that marked the evolution of the Portuguese economy since 2001, and had been reflected in declining corporate investment and stagnant private consumption, was interrupted in 2004. The economic upturn was driven by dynamic domestic demand, particularly by the recovery of private consumption, and by the growth of investment, but attention is drawn to the importance of the extraordinary factors that occurred during the first half of 2004. The Portuguese economy has been performing poorly since the second half of 2004, due to the weakness of exports and a continued dynamism of imports, induced by the growth of consumption, which in turn has been influenced by the persistence of supportive monetary conditions, by the slight increase of disposable income, by the reduction of the savings rate and by the purchase of durable goods in anticipation to the increase of the standard VAT rate in July 2005. Investment has fallen in the first semester of 2005, namely in construction. Notwithstanding the deterioration of the economic environment, the banking sector business volumes have performed favorably, benefiting from the maintenance of interest rates at historical lows, from the diversity of financial needs of households and companies, from the launch of innovative financial products and services and from the still low penetration rate of some types of financial products and services in Portugal. Loans to individuals continued to grow by about 9 per cent. and loans to companies slightly above 2 per cent. Forecasts for 2005 and 2006 Portuguese GDP growth have been successively revised downwards. Nonetheless, while it is expected that economic growth in the second half of 2005 will recover and be more balanced, the Bank notes that if economic growth continually fails to resume, this may adversely affect the execution of the Bank's growth strategy, its financial condition and results of operations.

Portuguese GDP growth has been underperforming EU-15 growth for the past five years and the domestic economy faces several structural challenges, namely the unsustainable imbalance of public finances, the high indebtedness of the private sector, low factor productivity, the persistently high trade deficit, greater competition induced by growing globalisation, the insufficient quality of public services such as justice, education, public administration and health. The Portuguese economy is vulnerable to significant interest rates increases by the European Central Bank, which could impact the capacity of households to meet their debt obligations, as most loans are indexed to floating EURIBOR indexes, and hence influence loan impairment. Moreover the persistency and possible further increase of the unusually high oil prices may negatively influence the performance of the Portuguese economy. The direct effects of high oil prices would be the reduction of confidence and real disposable income, increased operating costs, and increased inflation, terms-of-trade deterioration and general economic deceleration.

Sharp declines in global equity markets may have a material adverse effect on the Bank's business, results of operations and the value of strategic investments.

Investment returns are an important part of the BCP Group's overall profitability, in particular in relation to the asset management business of Millennium bcp - Gestão de Fundos de Investimento, S.A. and the investment banking business of Banco Millennium bcp Investimento, S.A. ("Millennium bcp Investimento", with the brand name Millennium bcp investimento). If sharp declines in the global equity markets occur, that may affect the sales of certain of the Bank's products, such as unit linked products, participating life insurance and pension products, mutual funds and asset management services, significantly decreasing its income from commissions and adversely affecting the Bank's financial condition and results of operations. In addition, fluctuations in price levels in the securities markets could result in investors withdrawing capital from the markets, decreasing their rate of investment or surrendering life insurance policies, any of which could adversely affect sales of the Bank's investment products, including certain life insurance products.

As of 31 December 2004, the BCP Group's strategic investments (being its equity stakes in non-consolidated companies) amounted to €1,925,919,000, or 2.7 per cent of its total assets. The book value of some of these investments in the BCP Group's consolidated balance sheet is greater than their market value as of 31 December 2004. If declines in the value of the BCP Group's strategic investments occur, that could have an adverse effect on the BCP Group's financial condition and results of operations.

The impact of possible recurrent terrorist attacks.

The terrorist attacks that have occurred to date have fostered a global fear of recurrent terrorist attacks among western societies. Although this has started to be factored into economic agents' risk premiums assessments, an intensification of terrorist activities may adversely impact economic agents' confidence and bring additional uncertainty about the current global economic and political climate. This could have a material adverse effect on the BCP Group's financial condition and results of operations.

The Bank could be adversely affected by regulatory changes, which could affect, among other things, its capital adequacy requirements.

The Bank operates in a highly regulated industry. The Bank could be adversely affected by regulatory changes in Portugal, the EU or those foreign countries in which it operates, or by other political developments in or affecting Portugal, the EU or such foreign countries. The Bank has no control over such regulatory changes or political developments. The capital adequacy requirements currently applicable to Portuguese banks are in many respects similar to the requirements imposed by the international framework for capital measurement and capital standards of banking institutions of the Basel Committee on Banking Regulations and Supervisory Practices. Recent changes have been proposed by the Basel Committee to capital requirements. The

implementation of the new capital adequacy accord (Basel II) is set to start in 2007 and will increase the sensitivity of capital requirements to credit risk and establish operational risk cover requirements.

The Bank could be adversely affected by increased taxes or decreased tax benefits.

The Bank could be adversely affected by tax changes in Portugal, the EU or those foreign countries in which it operates. The Bank has no control over such tax changes.

Risk of the divestiture of large shareholding positions.

The Bank's share price and volatility could be affected if large shareholders reduce their stakes in the Bank's share capital.

The Bank may be object of an unsolicited acquisition bid.

In the context of the pan-European consolidation trend, the Bank could be object of an unsolicited acquisition bid. If such acquisition occurred there could be changes in current corporate strategy, main businesses, operations and resources.

The Bank faces strong competition in its principal areas of operation.

Since 1996, there has been a significant expansion of personal financial services in the Portuguese banking market, resulting in a sustained development of mortgage credit, consumer loans, investment funds and unit linked products and increased use of credit cards. The Portuguese banking market is now well developed, and includes strong and dynamic domestic and foreign competitors that incorporate a multi-product, multi-channel and multi-client segmented approach. In addition, there has been significant development of internet banking operations and the use of new techniques, such as customer relationship management, which enable banks to accurately track customers' requirements. Foreign banks have also entered the Portuguese market, particularly in areas such as corporate banking, asset management, private banking and brokerage services. These factors have resulted in increased competition. Moreover, the trend of integration of European financial markets is likely to intensify, which may contribute to increased competition, namely in the areas of asset management, investment banking and online brokerage. Although the Bank believes that it is in a strong position to continue to compete in the Portuguese market, the Bank cannot assure potential investors that it will be able to compete effectively in the markets in which it operates, or that it will maintain or increase the level of its results of operations.

The Bank may not be able to preserve its customer base.

The Bank's success depends on its ability to maintain customer loyalty and to offer customers a wide range of high quality, competitive products and consistently high levels of service. The Bank has sought to achieve this objective by segmenting its customers' basis to better serve the diverse needs of each customer segment and by cross-selling the products and services of its subsidiaries through its marketing and distribution network in Portugal under a single brand – "Millennium bcp". The Bank has also sought to maintain long customer financial relationships through the sale of anchor products and services, such as mortgage loans, domiciliation of wages, permanent automatic payments, credit cards and saving products. Bancassurance products are also part of the wide range of products sold by the Bank, which are managed by the insurance company "Millennium bcp Fortis", which resulted from the agreement with the Belgian-Dutch group Fortis involving the sale of 51 per cent. of the share capital and the transfer of management control of the insurers Ocidental – Companhia Portuguesa de Seguros S.A. ("Ocidental"), Ocidental – Companhia Portuguesa de Seguros de Vida, S.A. ("Ocidental Vida") and Médis – Companhia Portuguesa de Seguros de Saude, S.A. ("Médis"), and the Pension-fund manager Pensõesger – Sociedade Gestora de Fundos de Pensões.

(“*Pensões geres*”). Increased competition in the Portuguese and European banking markets via the offer of significantly lower prices and a growing importance of category killers may impact customer behaviour patterns and loyalty. Any failure to maintain customer loyalty or to offer customers a wide range of high quality, competitive products or consistently high levels of service could have a material adverse effect on the Bank's financial condition and results of operations. As of 31 December 2004, 4.9 per cent. of the Bank's total customer base were also holders of its ordinary shares. In addition, a substantial number of these and other customers hold the Bank's mandatorily convertible securities, which were issued in December 2002. If the price of the Bank's ordinary shares were to decline, this could lead to shareholder dissatisfaction and, to the extent that such shareholders are also customers of the Group, this could result in broader customer dissatisfaction, which could, in turn, adversely affect the Bank's financial condition and results of operations.

The Bank may face difficulties with its international expansion.

The BCP Group continues to pursue its internationalisation strategy, with particular emphasis on the Polish and Greek banking markets, which together with Portugal, are considered core markets. There is no guarantee that the BCP Group will be successful in the Polish, Greek or other international markets in which it operates. In addition, such international operations are exposed to the risk of possible adverse political, governmental or economic developments in the countries in which they operate. These factors could have a material adverse effect on the BCP Group's financial condition and results of operations. Several BCP Group's international operations expose it to foreign currency risk. A decline in the value of the currencies in which some of the BCP Group's international subsidiaries receive their income relative to the value of the euro may have an adverse effect on the BCP Group's financial condition and results of operations.

The Bank's liabilities to its customers exceed its liquid assets.

The Bank's primary source of funds is its retail deposit base. In recent years, however, as interest rates stood at historically low levels, customers have started to channel their individual savings away from traditional bank products, such as deposits, and towards other instruments with higher expected returns. The Bank's other funding sources include medium and long-term bond issues, commercial paper and medium-term structured products. In addition, the Bank has carried out various asset securitisation operations. The Bank also borrows money in the money markets, and in recent years, the Bank has also increased own funds through share capital increases (most recently in March 2003), and the issue of mandatorily convertible securities (December 2002), convertible subordinated securities and subordinated bonds. While the Bank complies in full with the Bank of Portugal's regulations governing liquidity, the Bank's liabilities to its customers exceed the amount of its liquid assets. As of 31 December 2002, 2003 and 2004, this shortfall amounted to approximately 14,800 million euro, 15,100 million euro and 14,100 million euro, respectively. If the Bank is unable to borrow sufficient funds to meet its obligations to its customers and other investors, the Bank's financial condition and results of operations will be materially adversely affected. In addition, due to the Bank's net funding position, any rating downgrade could adversely affect the Bank's financial condition and results of operations.

There is a risk that the Bank's pension fund is under-funded and that the Bank may be required to make additional contributions to the fund in the future.

There is a risk that the Bank's pension fund is under-funded. The sharp decline in the global financial markets throughout 2001 and 2002 has caused investment returns and the value of the Bank's pension fund to decline. The unrecognised actuarial losses of the Bank's pension fund increased from 898,679 thousand euros as of 31 December 2003 to 917,334 thousand euros as of 31 December 2004. The reserves the Bank has made in its consolidated financial statements for its pension liabilities are based on certain assumptions regarding mortality and, accordingly, there is a risk that beneficiaries of the policy will live longer and draw more from the pension fund than has been allowed for. Within the scope of IFRS and as defined in IFRS I, the BCP Group decided to recalculate the actuarial calculations from the date of the set up of the Pension Fund. This resulted

in an increase of deferred actuarial differences and shareholders' equity. In the future, all actuarial gains and losses in excess of 10 per cent. of the value of liabilities (the corridor) will be amortised for the remaining average working life of the employees of 20 years (previously: 10 years). On an ongoing basis, the extended amortisation period of the actuarial losses will lead to a decrease in annual charges to the profit and loss account. If the Bank's pension fund is under-funded, the Bank will be required to make additional contributions to the fund in the future, which could adversely affect the Bank's financial condition and results of operations. In addition, the Bank is required to deduct from its tier 1 capital the portion of unrecognised actuarial losses exceeding 10 per cent. of the Bank's pension liabilities or the value of the Bank's pension fund assets. As a result, any further declines in the value of the Bank's pension fund assets could adversely affect its capital position.

The Bank is exposed to credit risk.

The Bank is exposed to the creditworthiness of its customers and counterparties. If the value of the collateral securing the Bank's loan portfolio declines, the Bank will be exposed to a higher credit risk and increased risk of non-recovery in the event that any loans failed to perform. The Bank cannot guarantee that it would be able to realise adequate proceeds from collateral disposals to cover loan losses.

Despite the adverse economic environment, in recent years there has not been a deterioration of the creditworthiness of its customers. However, if economic growth below trend continues persists, if unemployment continues to increase and if interest rates increase sharply, this may deteriorate the creditworthiness of customers.

Notwithstanding the BCP Group's high coverage level of past due loans by provisions for impairment losses, the Bank cannot assure potential investors that its level of provisions and other reserves will be adequate or that the Bank will not have to take significant additional provisions for possible impairment losses in future periods.

The Bank's risk management policies may leave it exposed to unidentified risks or an unanticipated level of risk.

The Bank is exposed to a number of risks, including, among others, market risk, credit risk, liquidity risk and operational risk. Although the Bank has implemented risk management policies for each of the risks to which it is exposed, taking into account worst case scenarios, the policies and procedures that the Bank employs to identify, monitor and manage these risks may not be fully effective. See "Risk Management" in the Bank's 2004 Annual Report (volume I) for a more detailed description of the Bank's risk management procedures.

The Bank's proprietary trading business involves a significant degree of risk.

The Bank currently engages in various treasury activities for its own account, including placing euro and foreign currency-denominated deposits in the inter-bank market and trading in the primary and secondary markets for government securities. Proprietary trading includes taking positions in the fixed income and equity markets using both cash and derivative products and financial instruments. Although the Bank's level of engagement in such activities is limited, proprietary trading involves a degree of risk. Future proprietary trading results will in part depend on market conditions and the Bank could incur significant losses, which could adversely affect its financial condition and results of operations. See in this prospect the section "Selected Consolidated Financial Information in the Consolidated Balance Sheet - Assets - Securities" for information on the Bank's securities portfolio of trading and investment securities as of 31 December 2003 and 2004.

The Bank is subject to operational risks.

In the ordinary course of the Bank's business and as a result of the Bank's organisational structure, the Bank is subject to certain operational risks, including interruption of service, errors, fraud by third parties, omissions, delays in providing services and risk management requirements. The Bank continually monitors these risks by means of, among other things, advanced administrative and information systems and insurance coverage in respect of certain operational risks, but the Bank cannot guarantee that it will be able at all times to successfully monitor and prevent these risks in the future. Any failure to execute successfully the Bank's risk management and control policies could materially adversely affect the Bank's financial condition and results of operations.

The Bank faces technological risks.

The Bank's consolidated operations are highly dependent on computerised record-keeping, financial reporting and other systems, including point of sale monitoring and internal accounting systems, particularly following the centralisation of the Bank's information technology systems. Since 1996, the BCP Group has integrated its back office operations in one company, Millennium bcp – Prestação de Serviços, ACE (formerly known as ServiBanca). Millennium bcp – Prestação de Serviços is responsible for carrying out standardised back office activities, management of information technology, accounting and audit, and the strategic monitoring of the BCP Group. The BCP Group has also integrated the technological platforms of the different businesses it has acquired. Although the Bank's computer systems have been evaluated and the Bank believes its back-up facilities to be adequate, the Bank cannot assure potential investors that it will be able to identify and correct problems related to its information technology systems, or that it will be able to implement technological improvements successfully.

Risk factors that may affect the Issuer's ability to fulfil its obligations under the Series D Preference Shares.

The Issuer is a finance company for the BCP Group. As such, the Issuer raises finance and on-lends monies 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, the Issuer may not be able to meet its payment obligations under the Series D Preference Shares issued by it.

The Issuer currently has other classes of preference shares outstanding and may in the future issue further classes of preference shares. In the event of the insolvency of the Issuer, all of the assets of the Issuer, regardless to whichever class to which they are attributable, will be available to meet all of the unsatisfied liabilities of the Issuer.

Risk factors which are material for the purpose of assessing the market risks associated with the Series D Preference Shares.

The Series D Preference Shares may not be a suitable investment for all prospective investors.

Each potential investor in the Series D Preference Shares must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Series D Preference Shares, the merits and risks of investing in the Series D Preference Shares and the information contained or incorporated by reference in this Offering Circular or any applicable supplement;

- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Series D Preference Shares and the impact the Series D Preference Shares will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Series D Preference Shares; and
- (iv) understand thoroughly the terms of the Series D Preference Shares.

Economic Risks Associated with the Bank's Financial Condition.

An investment in the Series D Preference Shares will have substantially the same economic risks as an investment in non-cumulative perpetual preference shares issued directly by the Bank having the same liquidation preference and rate of distribution as the Series D Preference Shares. The Series D Preference Shares are guaranteed on a limited and subordinated basis by the Bank pursuant to the terms of the Subordinated Guarantee. Accordingly, if the Bank's financial condition were to deteriorate, the Issuer and the Holders may suffer direct and materially adverse consequences, including non-payment of Dividends on the Series D Preference Shares or of payments under the Subordinated Guarantee.

Dividends not Cumulative.

Dividends on the Series D Preference Shares are not cumulative. As set out in "*Description of the Series D Preference Shares*", Dividends on the Series D Preference Shares when and if declared by the Board of Directors of the Issuer, will be paid on each Dividend Date by the Issuer or by the Bank under the Subordinated Guarantee if the Bank has sufficient Distributable Funds to enable it to pay Dividends on the Series D Preference Shares (and in respect of any Dividend Parity Obligations) and such payment would not result in the Bank breaching the Capital Adequacy Regulations. If Dividends on the Series D Preference Shares for any Dividend Period are not paid, the Holders will not be entitled to receive such Dividends (or any payment under the Subordinated Guarantee in respect of such Dividends) whether or not funds are, or subsequently become, available.

Perpetual Nature of the Series D Preference Shares.

The Series D Preference Shares have no fixed final redemption date and Holders have no rights to call for the redemption of the Series D Preference Shares. Although the Issuer may redeem the Series D Preference Shares in certain circumstances (including at its option on the First Call Date or any Dividend Date thereafter or following the occurrence of certain tax events or a Capital Disqualification Event (as set out in "*Description of the Series D Preference Shares*"), there is no obligation for it to do so and there are limitations on its ability to do so.

Subordination.

The obligations of the Bank under the Subordinated Guarantee will rank junior as to payments to all liabilities to creditors of the Bank (including without limitation depositors, general creditors and subordinated debt holders) and claims of holders of senior ranking securities. In the event that the Bank is wound up, liquidated or dissolved, the assets of the Bank would be available to pay obligations under the Subordinated Guarantee only after all payments have been made on such senior liabilities and claims.

No Limitation on Incurrence of Further Debt.

Neither the Issuer nor the Bank is prohibited from issuing, guaranteeing or otherwise incurring further debt ranking *pari passu* with, or senior to, its obligations under the Series D Preference Shares or the Subordinated Guarantee, as the case may be.

Absence of Prior Public Markets.

The Series D Preference Shares constitute a new issue of shares by the Issuer. Prior to this issue, there will have been no public market for the Series D Preference Shares. Although application has been made for the Series D Preference Shares to be admitted to the Official List and to the London Stock Exchange for trading on its Gilt Edged and Fixed Interest Market, there can be no assurance that an active public market for the Series D Preference Shares will develop and, if such a market were to develop, the Managers are under no obligation to maintain such a market. The liquidity and the market prices for the Series D Preference Shares can be expected to vary with changes in market and economic conditions, the financial condition and prospects of the Bank and other factors that generally influence the market prices of securities.

EU Savings Directive.

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (and similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have agreed to adopt similar measures (a withholding system in the case of Switzerland) with effect from the same date.

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

Portuguese Taxation.

Under current Portuguese law, payments made by the Bank, acting through its international Madeira branch ("*Sucursal Financeira Internacional*") under the Subordinated Guarantee to a holder of a Series D Preference Share who is an individual non-resident in Portugal for tax purposes or a legal person non-resident and without a permanent establishment in Portugal to which income is attributable, will not be subject to any Portuguese income, capital transfer, wealth, estate, gift, inheritance or other tax or duty. Shareholders should present proof of their non-resident status in Portugal before the Bank under the terms of number 14 of article 33 of the Tax Incentives Statute ("*Estatuto dos Benefícios Fiscais*") to benefit from such exemption.

Trading in the clearing systems.

Although the Series D Preference Shares have a liquidation preference of EUR 50,000 per Series D Preference Share, it is possible that the Series D Preference Shares may be traded in the clearing systems in amounts in excess of EUR 50,000 that are not integral multiples of EUR 50,000. In such case, should definitive certificates evidencing interests in the Series D Preference Shares be required to be issued, a holder who does not have an integral multiple of EUR 50,000 in his account with the relevant clearing system at the relevant time may not receive all of his entitlement in the form of definitive certificates unless and until such time as his holding becomes an integral multiple of EUR 50,000.

DESCRIPTION OF THE SERIES D PREFERENCE SHARES

Set forth below is a summary of the terms of the Series D Preference Shares, a summary of certain provisions of the Issuer's Memorandum and Articles of Association (the "Articles"), as in effect on the date hereof and a summary of certain provisions of the Agency Agreement (as defined below) insofar as such provisions relate to the rights and privileges of the Holders of the Series D Preference Shares.

The summaries set forth below contain all material information concerning the Series D Preference Shares but do not purport to be complete and are subject to, and qualified in their entirety by reference to, the Articles and the resolution adopted by the Board of Directors of the Issuer establishing the rights, preferences, privileges, limitations and restrictions relating to the Series D Preference Shares. Copies of the Articles, the Agency Agreement and such resolutions are available for inspection as described under "General Information" below.

1. Definitions and Interpretation

In this description of the Series D Preference Shares, except to the extent that the context requires otherwise:

"Additional Amounts" means the additional amounts which may be payable in respect of the Series D Preference Shares as described in paragraph 10 below;

"Agency Agreement" means the agency agreement dated 13 October 2005 relating to the Series D Preference Shares between the Issuer, the Bank, the Principal Paying and Transfer Agent, the Registrar and the other agents named therein;

"Bank" means Banco Comercial Português, S.A. and its successors and assigns;

"Business Day" means any day on which commercial banks and foreign exchange markets settle payments in London, Lisbon and the Cayman Islands and on which the TARGET System, or any successor thereto, is operating;

"Capital Adequacy Regulations" means at any time, the regulations, requirements, guidelines and policies relating to capital adequacy of banks in Portugal established by the Bank of Portugal or otherwise applicable to banks in Portugal then in effect;

"Capital Disqualification Event" means a change in any applicable law or regulation, or in the official interpretation or application thereof, as a result of which, for the purposes of the Capital Adequacy Regulations at that time, the Board of Directors of the Bank determines, and/or the Bank of Portugal announces or notifies the Bank, that the Series D Preference Shares can no longer qualify for inclusion in the tier one capital of the Bank on a consolidated basis;

"Cayman Tax" mean any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the Cayman Islands or any political subdivision thereof or any authority therein or thereof having power to tax;

"Clearstream, Luxembourg" means Clearstream Banking, société anonyme or its successor;

"Closing Date" means 13 October 2005;

"Common Depositary" means JPMorgan Chase Bank, N.A. as common depositary for Euroclear and Clearstream, Luxembourg;

"Distributable Funds" means, in respect of any fiscal year of the Bank, the aggregate amount, as calculated as of the end of the immediately preceding fiscal year, of:

- (a) the Bank's accumulated retained earnings and any other reserves and surpluses available for distribution as cash dividends to holders of the ordinary share capital of the Bank under the companies laws of Portugal;
- (b) increased by the amount of any profit or decreased by the amount of any loss from such prior fiscal year, net of any amounts which are required to be transferred to legal or other restricted reserves;
- (c) less any distribution of amounts in accordance with the Bank's bylaws to employees and directors approved at the annual general meeting of shareholders that approves the accounts in respect of such prior fiscal year,

but before deduction of the amount of any dividend or other distribution declared on the Bank's ordinary share capital or on any other securities ranking junior to the Subordinated Guarantee, in respect of such prior fiscal year;

"Dividends" means the non-cumulative dividends in respect of the Series D Preference Shares as described under paragraph 2 (*Dividends*);

"Dividend Parity Obligations" means the most senior preferred or preference shares or other securities qualifying as tier 1 capital and ranking *pari passu* with the most senior preferred or preference shares (if any) of the Bank and all preferred or preference shares or with other securities of Subsidiaries (which will include, without limitation, the Series B Preference Shares and the Series C Preference Shares) qualifying as tier 1 capital of the Bank on a consolidated basis and entitled to the benefit of any guarantee, support agreement or other contractual undertaking of the Bank ranking *pari passu* with the Subordinated Guarantee as regards entitlement to distributions thereunder, or all such guarantees, support agreements or contractual undertakings;

"Dividend Period" means the period from and including the Closing Date to but excluding the first Dividend Date and each successive period from and including a Dividend Date to but excluding the next succeeding Dividend Date;

"Euroclear" means Euroclear Bank S.A./N.V., as operator of the Euroclear System;

"First Call Date" means 13 October 2015;

"Fixed Day Count Fraction" means the actual number of days in the period from and including the date from which the relevant Dividend begins to accrue for the relevant period of calculation (the **"Accrual Date"**) to but excluding the date on which it falls due, divided by the actual number of days from and including the Accrual Date to but excluding the next following Dividend Date;

"Holder" means, in relation to any Series D Preference Share, the member of the Issuer whose name is entered in the Register as the holder of such Series D Preference Share and in relation to any Ordinary Share the member of the Issuer whose name is entered in the ordinary register as the holder of such Ordinary Share;

"Issuer" means BCP Finance Company, a wholly-owned direct Subsidiary of the Bank incorporated in the Cayman Islands;

"Junior Obligations" means (i) ordinary shares of the Bank, (ii) each class of preferred or preference shares or similar securities of the Bank that ranks junior to the most senior ranking preferred or preference shares or similar securities of the Bank and (iii) any preference share or preferred security of a Subsidiary or the Issuer entitled to the benefit of a guarantee or support agreement or similar undertaking of the Bank that ranks junior to the Subordinated Guarantee or any such guarantees or support agreements or similar undertakings of the Bank;

“Legal Framework for Credit Institutions and Financial Companies” means the legal regime governing the authorisation and carrying on of the activity of credit institutions and financial companies, enacted under Decree Law no. 298/92, of 31 December 1992, as amended;

“Liquidation Date” means the date of final distribution of the assets of the Issuer in the case of a liquidation, dissolution or winding up of the Issuer (whether voluntary or involuntary);

“Liquidation Distribution” means the aggregate of the Liquidation Preference plus accrued and unpaid Dividends (whether or not declared) calculated from and including the immediately preceding Dividend Date (or, if none, the Closing Date) to the Liquidation Date;

“Liquidation Parity Obligations of the Issuer” means, in relation to the Issuer, the Series B Preference Shares the Series C Preference Shares and any other preferred or preference shares, if any, of the Issuer ranking *pari passu* with the Series D Preference Shares as regards participation in assets of the Issuer upon liquidation, dissolution or winding up;

“Liquidation Preference” means the liquidation preference of EUR 50,000.00 per Series D Preference Share;

“Make Whole Redemption Price” means, in respect of each Series D Preference Share, the price, as determined by the Calculation Agent three dealing days before the due date for redemption, equal to (i) the present value of 100 per cent. of the Liquidation Preference of the Series D Preference Share discounted from the First Call Date, plus (ii) the present values of future scheduled annual non-cumulative Dividend payments from the relevant Redemption Date to and including the First Call Date, plus (iii) an amount equal to any accrued but unpaid scheduled Dividends (whether or not declared) in respect of the Dividend Period in which the relevant Redemption Date falls (without accumulation of unpaid Dividends for any prior Dividend Period) (without any double counting with (ii) above) plus (iv) any applicable Additional Amounts. The present values calculated in (i) and (ii) above shall be calculated by discounting the relevant amounts to the relevant Redemption Date on an annual basis at the Adjusted Yield;

For the purposes of determining the Make Whole Redemption Price:

“Adjusted Yield” means the Bond Yield, plus 0.75 per cent.;

“Bond Yield” means the rate per annum equal to the annual yield to maturity of the Reference Bond;

“Calculation Agent” means an investment bank of international standing selected by the Issuer or the Bank;

“Reference Bond” means the 3.25 per cent. Bundesobligationen due July 2015 or if such Bundesobligationen is no longer in issue, such other European government bond as the Calculation Agent may, with the advice of three brokers of, and/or market makers in, European government bonds selected by the Calculation Agent, determine to be appropriate in determining the Make Whole Redemption Price.

“Margin” means 1.95 per cent. per annum;

“Optional Redemption Price” means EUR 50,000.00 per Series D Preference Share plus accrued and unpaid Dividends (whether or not declared) for the then current Dividend Period to the Redemption Date and any Additional Amounts;

“Ordinary Shares” means the ordinary shares in the capital of the Issuer with a nominal or par value of euro 1.00 or US\$1.00 each or such other ordinary shares in the capital of the Issuer as may exist from time to time;

“Paying and Transfer Agents” means each of the Principal Paying and Transfer Agent and any other entity appointed as paying and transfer agent by the Issuer and notified to the Holders of the Series D Preference Shares;

“Principal Paying and Transfer Agent” means JPMorgan Chase Bank, N.A. or such other entity appointed by the Issuer and notified to the Holders of the Series D Preference Shares;

“Redemption Date” means the date designated for the redemption of the Series D Preference Shares, as described under paragraph 5 (*Optional Redemption*);

“Reference Banks” means any four major banks in the euro-zone interbank market selected by the Principal Paying and Transfer Agent, with the agreement of the Bank;

“Register” means the register of Holders maintained outside the United Kingdom on behalf of the Issuer;

“Registrar” means J.P. Morgan Bank Luxembourg S.A. or such other entity appointed by the Issuer and notified to the Holders of the Series D Preference Shares;

“Relevant Screen Page” means Moneyline Telerate Screen Page 248 or such replacement page on that service, or such other service as may be nominated as the information vendor, for the purpose of displaying rates or prices comparable to Three Month EURIBOR;

“Senior Creditors” means liabilities of the Bank (other than any liability expressed to rank *pari passu* with or junior to the Subordinated Guarantee);

“Series B Preference Shares” means the euro denominated Floating Rate Non-cumulative Guaranteed Non-voting Series B Preference Shares of the Issuer, issued on 28 September 2000, each having a par value of euro 100.00;

“Series C Preference Shares” means the euro denominated Series C Perpetual Non-cumulative Guaranteed Non-voting Step-up Preference Shares of the Issuer, issued on 9 June 2004, each having a par value of euro 100.00;

“Subordinated Guarantee” means the subordinated guarantee in favour of the Holders of the Series D Preference Shares to be executed by the Bank on 13 October 2005 as a deed poll;

“Subsidiary” means any corporation or other person or entity of which more than 50 per cent. of the voting shares or similar ownership interests are owned, directly or indirectly, by the Bank;

“TARGET Settlement Day” means any day on which the TARGET System, or any successor thereto, is operating;

“TARGET System” means the Trans European Real-Time Gross Settlement Express Transfer System;

“Tax” means any present or future taxes, duties, assessments or governmental charges of whatever nature; and

“Tax Event” means that, as a result of a change in any law or regulation of Portugal or the Cayman Islands, or in any treaty to which Portugal or the Cayman Islands is a party, or in the official interpretation or application of any law, regulation or treaty by any relevant body in Portugal or the Cayman Islands:

- (a) payments to Holders non resident in Portugal or the Cayman Islands would be subject to deduction or to withholding tax or would give rise to any obligation of the Issuer or the Bank to account for any tax in the Cayman Islands or Portugal; or

- (b) the Bank would be unable for reasons outside its control to procure payment by the Issuer and in making payments under the Subordinated Guarantee, such payments by the Bank would be subject to deduction or to withholding tax in Portugal; or
- (c) the Issuer or the Bank would be subject to more than a *de minimis* amount of tax in respect of the Series D Preference Shares or the Subordinated Guarantee in the Cayman Islands or Portugal; or
- (d) the Bank would not obtain relief for the purposes of Portuguese corporation tax for any payment of interest on any inter-company lending of the proceeds of the Series D Preference Shares.

2. Dividends

(a) Dividend Dates

Subject as provided below, the Issuer will pay to the Holders of the Series D Preference Shares, out of funds of the Issuer legally available for the payment of Dividends, Dividends at a rate determined as provided below, accruing from the Closing Date or from the most recent Dividend Date and payable when, as and if declared by the Board of Directors (or an authorised committee thereof) of the Issuer, in euro:

- (i) annually in arrear on 13 October in each year, commencing on 13 October 2006 up to and including the First Call Date; and
- (ii) thereafter quarterly in arrear on 13 January, 13 April, 13 July and 13 October in each year commencing on 13 January 2016 (each a “**Dividend Date**”), *provided* that if any such Dividend Date falling after the First Call Date would otherwise fall on a day which is not a Business Day it shall be postponed to the next day which is a Business Day unless it would then fall into the next calendar month in which event the Dividend Date shall be brought forward to the immediately preceding Business Day.

For the avoidance of doubt, Dividends will only be payable by the Issuer if they are declared by the Board of Directors (or an authorised committee thereof) of the Issuer; such declaration is at the discretion of the Board of Directors (or authorised committee thereof) of the Issuer.

(b) Fixed Rate Dividends

In relation to a Dividend Period commencing on the Closing Date or any Dividend Date prior to but excluding the First Call Date, the rate of Dividend shall be 4.239 per cent. per annum (the “**Fixed Dividend Rate**”).

Whenever it is necessary to calculate the amount of any Dividend in respect of the Series D Preference Shares for each Dividend Period ending prior to but excluding the First Call Date, the amount of such Dividend shall be calculated by multiplying the Fixed Dividend Rate by the aggregate Liquidation Preference for the total amount of outstanding Series D Preference Shares and the Fixed Day Count Fraction and rounding the resultant figure to the nearest cent (half a cent being rounded upwards). The amount of Dividend payable in respect of each holder's holding of Series D Preference Shares shall be calculated on the basis of the proportion which such holder's aggregate holding of Series D Preference Shares by Liquidation Preference bears to the total amount by Liquidation Preference of the Series D Preference Shares and rounding the resultant figure to the nearest cent (half a cent being rounded upwards).

(c) Floating Rate Dividends

The rate of Dividend payable in respect of the Series D Preference Shares in respect of any Dividend Period commencing on the First Call Date or any Dividend Date thereafter will be calculated by the Principal

Paying and Transfer Agent in its discretion as the rate equal to Three Month EURIBOR plus the Margin (the “Floating Dividend Rate”).

For the purpose of calculating the Floating Dividend Rate, “Three Month EURIBOR” means the rate for deposits in euro which appears on the Relevant Screen Page as at 11:00 am (Brussels Time) (or such other time as may be customary for the daily reset of such rate) on the day that is two TARGET Settlement Days preceding the first day of the relevant Dividend Period.

If such rate does not appear on the Relevant Screen Page on the day that is two TARGET Settlement Days preceding the first day of the relevant Dividend Period, Three Month EURIBOR for the relevant Dividend Period will be determined on the basis of the rates at which three month deposits in euro are offered by the Reference Banks at approximately 11:00 am (Brussels time) on the day that is two TARGET Settlement Days preceding the first day of the relevant Dividend Period to prime banks in the euro-zone interbank market for a period of three months commencing on the first day of the relevant Dividend Period and in an amount that is representative for a single transaction in the relevant market at the relevant time. The Principal Paying and Transfer Agent will request the principal euro-zone office of each of the Reference Banks to provide a quotation of its rate. If at least two such quotations are provided, the Dividend Rate for the relevant Dividend Period will be the arithmetic mean of such quotations.

If fewer than two quotations are provided as requested, Three Month EURIBOR for the relevant Dividend Period will be the arithmetic mean of the rates quoted by major banks in the euro-zone, selected by the Principal Paying and Transfer Agent, at approximately 11:00 am (Brussels time) on the day that is two TARGET Settlement Days preceding the first day of the relevant Dividend Period for loans in euro to leading banks in the euro-zone for a period of three months commencing on the first day of such Dividend Period and in an amount that is representative for a single transaction in the relevant market at the relevant time, except that, if the banks so selected by the Principal Paying and Transfer Agent are not quoting as mentioned above, the Floating Dividend Rate for such Dividend Period shall be either (i) the Floating Dividend Rate in effect for the last preceding Dividend Period to which one of the preceding subparagraphs of this definition of Three Month EURIBOR shall have applied or (ii) if none, the Fixed Dividend Rate.

The Principal Paying and Transfer Agent shall, as soon as practicable after 11:00 am (Brussels time) on each day on which the Floating Dividend Rate is calculated, determine, subject as provided in paragraph 3 (*Limitations*) below, the Dividend payable on each Series D Preference Share for the relevant Dividend Period.

Whenever it is necessary to calculate the amount of any Dividend in respect of a Series D Preference Share for each period beginning on or after the First Call Date, the amount of such Dividend shall be calculated by multiplying the Floating Dividend Rate by the Liquidation Preference and the actual number of days in the relevant Dividend Period divided by 360 and rounding the resultant figure to the nearest cent (half a cent being rounded upwards).

The Principal Paying and Transfer Agent shall cause the Floating Dividend Rate and the Dividend payable, subject as provided in paragraph 3 (*Limitations*) below, for each Dividend Period and the relative Dividend Date to be notified to the Issuer, the Bank, the Registrar and, for so long as the Series D Preference Shares are listed on the London Stock Exchange and the rules of the London Stock Exchange so require, the London Stock Exchange as soon as possible after their determination but in no event later than the first day of the relevant period. The Floating Dividend Rate and Dividend Date may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Dividend Period.

3. Limitations

- (a) Dividends on the Series D Preference Shares will be non-cumulative and will be deemed to accrue on a day by day basis. Dividends on the Series D Preference Shares will be paid by the Issuer out of funds

legally available if and when declared by the Board of Directors (or an authorised committee thereof) of the Issuer, *provided, however*, that neither the Board of Directors (nor an authorised committee thereof) of the Issuer will pay any Dividend during any calendar year:

- (i) to the extent that the aggregate amount of such Dividend, together with the amount of:
 - (x) any Dividends previously paid by the Issuer or the Bank in respect of the Series D Preference Shares and distributions previously paid in respect of Dividend Parity Obligations in the then current fiscal year; and
 - (y) any Dividends proposed to be paid by the Issuer in respect of the Series D Preference Shares and distributions proposed to be paid in respect of Dividend Parity Obligations in the then current fiscal year, if on or before the First Call Date, or, if thereafter, in the current calendar quarter,would exceed Distributable Funds of the Bank; and
- (ii) even if Distributable Funds of the Bank are sufficient, if the Issuer has been notified that, in the judgment of the Board of Directors of the Bank after consultation with the Bank of Portugal, such payment would otherwise breach or cause a breach by the Bank of the Capital Adequacy Regulations.

(b) References to Dividends in this paragraph 3 (*Limitations*) include Additional Amounts (as defined in paragraph 10 (*Additional Amounts*)).

(c) *Dividends non-cumulative*

If the Board of Directors of the Issuer or an authorised committee thereof does not declare a Dividend payable on a Dividend Date in respect of the Series D Preference Shares, then, subject to the rights of the Holders of the Series D Preference Shares under the Subordinated Guarantee, the right of the Holders of the Series D Preference Shares to receive a Dividend in respect of the Dividend Period ending on the relevant Dividend Date will be lost. The Issuer will have no obligation to pay the Dividend accrued for such Dividend Period or to pay any interest thereon, whether or not Dividends on the Series D Preference Shares are declared for any future Dividend Period.

If the Issuer does not pay a Dividend with respect to the Series D Preference Shares, the Issuer's obligation to pay such Dividend to Holders of the Series D Preference Shares will be satisfied if and to the extent that the Bank pays such Dividends pursuant to the Subordinated Guarantee.

(d) *Partial payments*

If, in relation to any Dividend Period by reason of any limitations on payments described in paragraph 3(a), Dividends cannot be made in full on the Series D Preference Shares, all Dividends declared upon the Series D Preference Shares will be payable *pro rata* with the dividends declared on any other preference shares of the Issuer ranking *pari passu* as regards participation in profits with the Series D Preference Shares in the proportion that the amounts available for payment on the Series D Preference Shares and any such other preference shares shall bear to the full amount that would have been payable on the Series D Preference Shares and any such other preference shares, but for such limitation.

When, by reason of any of the limitations described above or some other limitation, the amount available for payment of Dividends on the Series D Preference Shares is less than the full amount of such Dividends, the Issuer will notify the same to each Holder in accordance with paragraph 15 (*Notices*) below.

Save as described in this paragraph 3 and in paragraphs 5 (*Optional Redemption*) and 6 (*Payments*), after payment of the Dividend, the Holders of the Series D Preference Shares will have no other right to participate in the profits of the Issuer.

4. Liquidation Distributions

In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Issuer, the Holders of the Series D Preference Shares at the time outstanding will be entitled to receive out of the assets of the Issuer available for distribution to shareholders, an amount equal to the Liquidation Distribution.

Such entitlement will arise before any distribution of assets is made to Holders of Ordinary Shares or any other class of shares of the Issuer ranking junior as regards participation in assets to the Series D Preference Shares, but such entitlement will rank equally with the entitlement of the Holders of any Liquidation Parity Obligations of the Issuer.

Notwithstanding the availability of sufficient assets of the Issuer to pay the Liquidation Distribution to the Holders of the Series D Preference Shares, if, at the time such Liquidation Distribution is to be paid, proceedings are pending or have been commenced for the voluntary or involuntary liquidation, dissolution or winding up of the Bank, the Liquidation Distribution per share paid to Holders of the Series D Preference Shares, and the liquidation distribution per share paid to the holders of Liquidation Parity Obligations of the Issuer shall not exceed the amount that would have been paid as the liquidation distribution from the assets of the Bank (after payment in full in accordance with Portuguese law of all Senior Creditors) had the Series D Preference Shares and all such Liquidation Parity Obligations of the Issuer been issued by the Bank and ranked:

- (i) junior to all Senior Creditors;
- (ii) *pari passu* with the most senior preferred or preference shares or with other securities qualifying as tier 1 capital and ranking *pari passu* with the most senior preferred or preference shares (if any) of the Bank; and
- (iii) senior to all Junior Obligations.

If the Liquidation Distribution and any other such liquidation distributions cannot be made in full by reason of the limitation described above, such amounts will be payable *pro rata* in the proportion that the amount available for payment bears to the full amount that would have been payable but for such limitation.

After payment of the Liquidation Distribution, as adjusted if applicable, the Holders of Series D Preference Shares will have no right or claim to any of the remaining assets of the Issuer or the Bank.

In the event of the liquidation, dissolution or winding up of the Bank, the Board of Directors will convene an extraordinary general meeting of the Issuer for the purpose of proposing a resolution to put the Issuer into voluntary liquidation and the amount per share payable by the Issuer as a Liquidation Distribution to Holders of the Series D Preference Shares will be as set out above.

For payments required to be made pursuant to the Subordinated Guarantee upon liquidation of the Issuer, see "*The Subordinated Guarantee*".

The Bank has agreed that, so long as any of the Series D Preference Shares are outstanding, unless (i) the Bank of Portugal gives its prior consent, (ii) remedy proceedings have been commenced by the Bank of Portugal in accordance with the Legal Framework for Credit Institutions and Financial Companies, in relation to the Bank or (iii) the Bank is in liquidation, dissolution or winding up proceedings, the Bank will not agree, or take any action to cause, the liquidation, dissolution or winding up of the Issuer.

5. Optional Redemption

(a) *Issuer call option*

The Series D Preference Shares are redeemable, in whole or in part, at the option of the Issuer, subject to the laws of the Cayman Islands and with the prior consent of the Bank and the Bank of Portugal, on the First Call Date or on any Dividend Date falling thereafter upon not less than 30 nor more than 60 days' notice to the Holders (and, so long as the Series D Preference Shares are listed on the London Stock Exchange and the rules of the London Stock Exchange so require, the London Stock Exchange) (which notice shall be irrevocable). Upon the Redemption Date specified in such notice, the Issuer shall be bound to redeem the Series D Preference Shares accordingly. Upon the Redemption Date, each Series D Preference Share will be redeemed at the Optional Redemption Price.

In the event that fewer than all of the Series D Preference Shares are to be redeemed, such Series D Preference Shares shall be redeemed on a *pro rata* basis in accordance with the applicable procedures of Euroclear and Clearstream, Luxembourg.

In the event that the Series D Preference Shares are no longer represented by a single global certificate registered in the name of a nominee for a common depositary for Euroclear and Clearstream, Luxembourg and fewer than all of the outstanding Series D Preference Shares are to be redeemed, such Series D Preference Shares shall be redeemed on a *pro rata* basis and, so long as the Series D Preference Shares are listed on the London Stock Exchange or any other stock exchange, in accordance with the rules of the London Stock Exchange or such other stock exchange.

(b) *Redemption for Tax Reasons*

If, at any time, a Tax Event occurs and is continuing, the effect of which cannot be avoided by the Issuer or the Bank taking reasonable measures available to it, then the Series D Preference Shares may be redeemed, at the option of the Issuer, in whole but not in part, upon not less than 30 or more than 60 days' notice to the Holders (and, so long as the Series D Preference Shares are listed on the London Stock Exchange and the rules of the London Stock Exchange so require, the London Stock Exchange) (which notice shall be irrevocable). Upon the expiry of such notice, the Issuer shall be bound to redeem the Series D Preference Shares accordingly.

Upon the Redemption Date, each Series D Preference Share will be redeemed at a price equal to:

(A) if the Redemption Date is prior to but excluding the First Call Date:

- (i) in the case of a Tax Event described in paragraphs (a) or (b) of the definition of "Tax Event", the Optional Redemption Price; or
- (ii) in the case of a Tax Event described in paragraphs (c) or (d) of the definition of "Tax Event", the higher of (x) the Optional Redemption Price and (y) the Make Whole Redemption Price; or

(B) if the Redemption Date is on or after the First Call Date, the Optional Redemption Price.

(c) *Redemption for Capital Disqualification Event*

If, at any time, a Capital Disqualification Event occurs and is continuing, the Series D Preference Shares may be redeemed, at the option of the Issuer, in whole but not in part, upon not less than 30 or more than 60 days' notice to the Holders (and, so long as the Series D Preference Shares are listed on the London Stock Exchange and the rules of the London Stock Exchange so require, the London Stock Exchange) (which notice shall be irrevocable). Upon the expiry of such notice, the Issuer shall be bound to redeem the Series D Preference Shares accordingly.

Upon the Redemption Date, each Series D Preference Share will be redeemed

- (A) if the Redemption Date is prior to but excluding the First Call Date: at the higher of (i) the Optional Redemption Price and (ii) the Make Whole Redemption Price; or
- (B) if the Redemption Date is on or after the First Call Date, the Optional Redemption Price

(d) *Precondition to redemption*

Any redemption under this paragraph 5 will be subject to the prior consent of the Bank and the Bank of Portugal.

The notice to the Holders of the Series D Preference Shares under this paragraph 5 will specify the Redemption Date and the Optional Redemption Price or the Make Whole Redemption Price, as the case may be.

6. Payments

Dividends declared on the Series D Preference Shares will be payable by the Issuer on the relevant Dividend Date (or, where such Dividend Date is not a TARGET Settlement Day, on the next TARGET Settlement Day (without interest in respect of such delay)) to the Holders of record thereof as they appear on the Register on the relevant record date, which will be 15 calendar days prior to the relevant Dividend Date.

If the Issuer gives a notice of redemption in respect of the Series D Preference Shares, then, by 10.00 a.m. (London time) on the relevant Redemption Date, the Issuer will irrevocably deposit with the Principal Paying and Transfer Agent funds sufficient to pay the Optional Redemption Price or the Make Whole Redemption Price, as the case may be, and will give the Principal Paying and Transfer Agent irrevocable instructions and authority to pay the Optional Redemption Price or the Make Whole Redemption Price, as the case may be, to the Holders of the Series D Preference Shares.

If notice of redemption shall have been given and funds deposited as required, then upon the date of such deposit, all rights of Holders of the Series D Preference Shares will be extinguished, except the right of the Holders of the Series D Preference Shares to receive the Optional Redemption Price or the Make Whole Redemption Price, as the case may be, in respect of each Series D Preference Share, but without interest, and the Series D Preference Shares will cease to be outstanding.

Subject to any applicable fiscal or other laws and regulations:

- (i) each payment in respect of Dividends on definitive Series D Preference Shares will be made by euro denominated cheque and mailed to the Holder of record at such Holder's address as it appears on the Register on the relevant record date; and
- (ii) any payment in respect of the redemption of any definitive Series D Preference Share will be made by euro denominated cheque against presentation and surrender of the relevant certificate at the office of any Paying and Transfer Agent,

provided, however, that a Holder of Series D Preference Shares may receive any such payment by wire transfer if the Issuer (or its agent) so agrees with such Holder and if appropriate wire transfer instructions have been received by a Paying and Transfer Agent in sufficient time prior to the relevant date of payment.

Whilst the Series D Preference Shares are represented by the Global Certificate (see paragraph 11 below), payments in respect of the Series D Preference Shares will be made to or as directed by the Common Depositary as the registered Holder of the Global Certificate representing the Series D Preference Shares. Payments made to the Common Depositary shall be made by wire transfer, and Euroclear or Clearstream.

Luxembourg, as applicable, will credit the relevant accounts of their participants on the applicable Dividend Dates or Redemption Dates.

In the event that payment of the Optional Redemption Price or Make Whole Redemption Price, as the case may be, in respect of any Series D Preference Share is improperly withheld or refused and not paid either by the Issuer or by the Bank pursuant to the Subordinated Guarantee, Dividends, subject as described in Article 3 (*Limitations*) above, on such Series D Preference Share will continue to accrue, at the same rate, from the Redemption Date to the date of actual payment of such Optional Redemption Price or Make Whole Redemption Price, as the case may be.

If the Issuer does not pay a Dividend, a Holder's right to receive payment of such Dividend will be satisfied if and to the extent that the Bank pays such Dividend pursuant to the Subordinated Guarantee.

7. Purchases

Subject to the foregoing and to applicable law (including, without limitation, Cayman Islands and Portuguese securities and banking laws and regulations) and to the requirements of the London Stock Exchange and the Bank of Portugal (if any), the Issuer or the Bank or any of its Subsidiaries may, at any time and from time to time, purchase outstanding Series D Preference Shares by tender, in the open market or by private agreement.

Any such purchase if made by the Issuer shall be made in such manner and on such terms as the Issuer shall approve in general meeting and the relevant Series D Preference Shares shall forthwith be cancelled and may not be re-issued or resold.

As long as the Series D Preference Shares are represented by the Global Certificate which is registered in the name of a nominee for a common depository for Euroclear and Clearstream, Luxembourg, payment will be made by the Principal Paying and Transfer Agent to Euroclear or Clearstream, Luxembourg, as applicable, for further credit to its participants in favour of the Holders of the Series D Preference Shares.

8. Voting Rights

Except as described below, Holders of Series D Preference Shares will not be entitled to receive notice of or attend or vote at any general meeting of shareholders of the Issuer.

If in respect of a Dividend Period or Dividend Periods, in each case amounting to a period of not less than one year:

- (i) Dividends and any Additional Amounts in respect of such dividends have not been paid in full on the Series D Preference Shares by the Issuer; or
- (ii) the Bank breaches any of its payment obligations in respect of such Dividends and Additional Amounts under the Subordinated Guarantee,

then the Holders of outstanding Series D Preference Shares together with the holders of any other preferred or preference shares of the Issuer having the right to vote for the election of Directors in such event, acting as a single class without regard to series, will be entitled, by written notice to the Issuer given by the holders of a majority in liquidation preference of such shares or by ordinary resolution passed by the holders of a majority in liquidation preference of such shares present in person or by proxy at a separate general meeting of such holders convened for the purpose, to appoint two additional members of the Board of Directors of the Issuer, to remove any such member from office and to appoint another person in place of such member.

Not later than 30 days after such entitlement arises, if the written notice of the Holders of outstanding Series D Preference Shares and the holders of any other preference shares of the Issuer having the right to vote

for the election of Directors in the circumstances described in the preceding subparagraph has not been given as provided for in the preceding sentence, the Board of Directors or an authorised committee thereof will convene a separate general meeting for the above purpose.

If the Board of Directors or such authorised committee fails to convene such meeting within such 30 day period, the holders of not less than 10 per cent. in liquidation preference of the outstanding Series D Preference Shares and such other preferred or preference shares will be entitled to convene such meeting. The provisions of the Articles relating to the convening and conduct of general meetings of shareholders will apply with respect to any such separate general meeting.

Subject to the terms of such other preferred or preference shares, any member of the Board of Directors so appointed shall vacate office if, in respect of a Dividend Period or Dividend Periods, in each case amounting to a period of not less than one year, Dividends and any Additional Amounts in respect of such Dividends have been paid in full on the Series D Preference Shares by the Issuer and/or the Bank has made payment of all amounts guaranteed in respect of such Dividends and any Additional Amounts.

Any variation or abrogation of the rights, preferences and privileges of the Series D Preference Shares by way of amendment of the Articles or otherwise (including, without limitation, the authorisation or issuance of any shares of the Issuer ranking, as to participation in the profits or assets of the Issuer, senior to the Series D Preference Shares) shall not be effective (unless otherwise required by applicable law) except with the consent in writing of the Holders of at least two-thirds of the outstanding Series D Preference Shares or with the sanction of a resolution passed at a separate meeting by the Holders of at least two-thirds of the outstanding Series D Preference Shares.

No such sanction shall be required if, as determined by the Directors, the change is solely of a formal, minor or technical nature or is to correct an error or cure an ambiguity, provided that any such change does not reduce the amounts payable to or impose any obligation on the Holders of the Series D Preference Shares or adversely affect their voting rights or cause any modification of the terms of the Series D Preference Shares pursuant to paragraph 9 (*Further Issues*).

Notwithstanding the foregoing, no vote of the Holders of the Series D Preference Shares will be required for the Issuer to redeem and cancel the Series D Preference Shares in accordance with the Articles.

In addition to the voting rights referred to above, no resolution may be proposed for adoption by the Holders of the Ordinary Shares providing for the liquidation, dissolution or winding up of the Issuer, unless the Holders of a majority by nominal value of the outstanding Series D Preference Shares and the holders of the outstanding Series B Preference Shares and Series C Preference Shares and any other preferred or preference shares ranking *pari passu* with the Series D Preference Shares as to participation in the profits and assets of the Issuer have approved such resolution.

Such approval may only be given by the consent in writing of the holders of at least two-thirds of the outstanding Series D Preference Shares and such other preferred or preference shares or with the sanction of a resolution passed by not less than a majority in nominal value at a meeting of the holders of the outstanding Series D Preference Shares and such other preference shares present and voting at such meeting. Such approval shall not be required if the liquidation, dissolution or winding up of the Issuer is proposed or initiated because of the liquidation, dissolution or winding up of the Bank.

Notwithstanding that Holders of the Series D Preference Shares are entitled to vote under any of the limited circumstances described above, any Series D Preference Share outstanding at such time that is owned by the Bank or any entity of which the Bank, either directly or indirectly, owns 20 per cent. or more of the voting stock or similar ownership interests, shall not carry a right to vote and shall, for voting purposes, be treated as if they were not outstanding.

The Issuer will cause a notice of any meeting at which Holders of the Series D Preference Shares are entitled to vote to be mailed to each Holder of record of the Series D Preference Shares. Each such notice will include a statement setting forth (i) the date, time and place of such meeting, (ii) a description of any resolution to be proposed for adoption at such meeting on which such Holders are entitled to vote and (iii) instructions for the delivery of proxies.

9. Further Issues

Notwithstanding paragraph 8 (*Voting Rights*), provided that the most recent Dividend payable on the Series D Preference Shares has been paid in full by the Issuer (or the Bank pursuant to the Subordinated Guarantee), the Holders of Ordinary Shares or the Board of Directors of the Issuer may, without the consent or sanction of the Holders of the Series D Preference Shares, take such action as is required in order to amend the Issuer's Articles:

- (a) to increase the authorised amount of Series D Preference Shares or to create and issue one or more other series of preferred or preference shares of the Issuer ranking *pari passu* with the Series D Preference Shares as regards participation in the profits and assets of the Issuer; or
- (b) to authorise, create and issue one or more other classes of shares of the Issuer ranking junior, as regards participation in the profits and assets of the Issuer, to the Series D Preference Shares.

Thereafter, the Issuer may, provided that the circumstances for non-payment of Dividends under paragraph 3(a) are not subsisting, without the consent of the Holders of the Series D Preference Shares issue any such further securities either having the same terms and conditions as the Preference Shares in all respects (or in all respects except for the first payment of Dividends on them) and so that such further issue shall be consolidated and form a single series with the Series D Preference Shares then in issue or upon such other terms as aforesaid.

Notwithstanding the foregoing, the Issuer may only issue further Series D Preference Shares if, at the same time, the Bank issues in respect of the further Series D Preference Shares a guarantee having terms and conditions that are substantially identical to the Subordinated Guarantee (or extends the Subordinated Guarantee to cover the further Series D Preference Shares).

10. Additional Amounts

All payments in respect of the Series D Preference Shares by the Issuer will be made without withholding or deduction for or on account of any Tax unless such withholding or deduction is required by law. In the event of any withholding or deduction for or on account of any Cayman Tax, the Issuer will pay such additional amounts (for the purposes hereof "**Additional Amounts**") as may be necessary in order that the net amounts received by the Holders of the Series D Preference Shares after such withholding or deduction will equal the amount which would have been receivable in respect of the Series D Preference Shares in the absence of such withholding or deduction, except that no such Additional Amounts will be payable to a Holder of Series D Preference Shares (or a third party on his behalf) with respect to any Series D Preference Share:

- (a) to the extent that such Cayman Tax is imposed or levied by virtue of such Holder (or the beneficial owner of such Series D Preference Share) having some connection with the Cayman Islands, other than being a Holder (or beneficial owner) or such Series D Preference Share; or
- (b) to the extent that such Cayman Tax is imposed or levied by virtue of such Holder (or beneficial owner) not having made a declaration of non-residence in, or other lack of connection with, the Cayman Islands or any similar claim for exemption, such Holder (or beneficial owner) having been advised of the obligation to make such withholding or deduction); or

- (c) 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 or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (d) where presentation of a certificate is required, presented for payment by or on behalf of a Holder who would be able to avoid such withholding or deduction by presenting the relevant certificate to another Paying and Transfer Agent in a Member State of the European Union,

and except that the Issuer's obligation to make any such payments with respect to Dividends (including any accrued and unpaid Dividends relating to any redemption payment or payments upon liquidation, dissolution or winding up of the Issuer) is subject to the limitations described in paragraph 3 (*Limitations*) above.

11. Form, Registration and Transfers of Series D Preference Shares

The Series D Preference Shares are in registered form.

On or about the Closing Date, a single global certificate (the "Global Certificate") representing the Preference Shares will be deposited with the Common Depositary for Euroclear and Clearstream, Luxembourg. The Global Certificates will be registered in the name of Chase Nominees Limited as nominee for the Common Depositary. For so long as the Global Certificate is deposited and registered as described above, book-entry interests in the Preference Shares will be shown on, and transfers of such interests will be effected only through, records maintained by Euroclear and Clearstream, Luxembourg.

If (a) either or both of Euroclear and Clearstream, Luxembourg is or are closed for business for a continuous period of 14 days or more (other than for the purposes of a public holiday) or announces an intention permanently to cease business, or (b) as a result of a change in law, transfer duties or similar taxes become payable on transfers of the Series D Preference Shares in Euroclear and/or Clearstream, Luxembourg, a number of Series D Preference Shares corresponding to its book-entry interest in the Series D Preference Shares represented by the Global Certificate held by the Common Depositary referred to above will be transferred to each Holder of an interest in the Series D Preference Shares whose name is notified by the Common Depositary to the Registrar. Each such Holder will be registered as a Holder in the Register and receive a certificate made out in its name. Other than in the circumstances referred to in this paragraph, definitive certificates will not be available to Holders.

If definitive certificates are made available in respect of Series D Preference Shares, they will be available from the Registrar and from the Principal Paying and Transfer Agent, and will be posted to the relevant Holders at the address shown in the Register or, as applicable, in the relevant instrument of transfer within three Business Days of issue, by uninsured post at the risk of such Holders.

Transfers of Preference Shares if represented by definitive certificates may be effected by presentation of the relevant certificate (with the transfer certificate attached thereto duly completed on behalf of the transferor and transferee) at the specified office of the Registrar or any Paying and Transfer Agent. Where a Holder transfers some only of the Series D Preference Shares represented by any such certificate he shall be entitled to a certificate for the balance without charge.

12. Paying and Transfer Agents

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained whether by the Reference Banks (or any of them) or the Principal Paying and Transfer Agent will (in the absence of wilful default, bad faith or proven or manifest error) be binding on the Issuer, the Reference Banks, the Principal Paying and Transfer Agent, the Registrar and all Holders of the Series D Preference Shares and (in the absence of any such wilful default, bad faith or proven or manifest error) no liability to the Issuer, the Bank, the Registrar or the Holders of the Series D Preference Shares shall attach to

the Reference Banks or the Principal Paying and Transfer Agent in connection with the exercise or non-exercise by them of their powers, duties and discretions under the Articles and the Agency Agreement.

The Issuer will procure that so long as any of the Series D Preference Shares remain outstanding there shall at all times be a Principal Paying and Transfer Agent and a Registrar, the latter having its office outside the UK.

For so long as the Series D Preference Shares are listed on the London Stock Exchange and the rules of the London Stock Exchange so require, the Issuer will maintain a Paying and Transfer Agent in London.

For so long as any Series D Preference Shares are outstanding, the Issuer will, if possible, maintain a Paying and Transfer 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 the event of the appointed office of any bank being unable or unwilling to continue to act as the Principal Paying and Transfer Agent or failing duly to determine the Dividend Rate and the amount of Dividend payable, subject as provided in paragraph 3 (*Limitations*), for any Dividend Period, the Issuer shall appoint another leading bank engaged in the euro interbank market to act in its place. Neither the Principal Paying and Transfer Agent nor the Registrar may resign its duties or be removed without a successor having been appointed.

13. Governing Law

The Articles and the Series D Preference Shares are governed by, and shall be construed in accordance with, Cayman Islands law.

14. Miscellaneous

The Issuer is not subject to any mandatory redemption or sinking fund provisions with respect to the Series D Preference Shares. Holders of Series D Preference Shares have no pre-emptive rights.

15. Notices

All notices to the Holders will be mailed to them at their address set forth in the Register. In addition, for so long as the Series D Preference Shares are listed on the London Stock Exchange and the rules of the London Stock Exchange so require, all notices to Holders of Series D Preference Shares will also be published in a leading newspaper having general circulation in London (which is expected to be the *Financial Times*) or, if such publication is not practicable, in a leading daily English language newspaper having general circulation in Europe being published on each day in morning editions whether or not it shall be published in Saturday, Sunday or holiday editions.

Any such notice shall be deemed to have been given on such date of publication, or if notices are published more than once or on different dates, on the date of first publication.

16. Prescription

Any Dividend unclaimed after a period of five years from its date of declaration shall be forfeited and shall cease to be owing by the Issuer.

SUBORDINATED GUARANTEE

Set forth below is the text of the Subordinated Guarantee substantially in the form to be executed by the Bank:

THIS DEED OF GUARANTEE (the “**Subordinated Guarantee**”), dated 13 October 2005, is executed and delivered by **BANCO COMERCIAL PORTUGUÊS, S.A.** (the “**Bank**”), acting through its international Madeira branch (“*Sucursal Financeira Internacional*”), a company incorporated under the laws of Portugal for the benefit of the Holders (as defined below).

WHEREAS the Bank desires to cause the Issuer to issue the Series D Preference Shares (as defined below) and the Bank desires to issue this Subordinated Guarantee for the benefit of the Holders, as provided herein.

NOW THEREFORE the Bank executes and delivers this Subordinated Guarantee for the benefit of the Holders.

1. Definitions and Interpretation

As used in this Subordinated Guarantee, capitalised terms not defined herein shall have the meanings ascribed to them in the Issuer’s Articles of Association and otherwise the following terms shall, unless the context otherwise requires, have the following meanings:

“**Additional Amounts**” means, except where otherwise defined in relation to the Issuer, the additional amounts which may be payable in respect of the Series D Preference Shares as described in paragraph 5;

“**Closing Date**” means 13 October 2005;

“**Distributable Funds**” means, in respect of any fiscal year of the Bank, the aggregate amount, as calculated as of the end of the immediately preceding fiscal year, of:

- (a) the Bank’s accumulated retained earnings and any other reserves and surpluses available for distribution as cash dividends to holders of the ordinary share capital of the Bank under the companies laws of Portugal;
- (b) increased by the amount of any profit or decreased by the amount of any loss from such prior fiscal year, net of any amounts which are required to be transferred to legal or other restricted reserves;
- (c) less any distribution of amounts in accordance with the Bank’s by-laws to employees and directors approved at the annual general meeting of shareholders that approves the accounts in respect of such prior fiscal year,

but before deduction of the amount of any dividend or other distribution declared on the Bank’s ordinary share capital or on any other securities ranking junior to the Bank’s obligations in respect of the Subordinated Guarantee, in respect of such prior fiscal year;

“**Dividends**” means the non-cumulative dividends in respect of the Series D Preference Shares as described in the Articles of Association of the Issuer;

“**Dividend Parity Obligations**” means the most senior preferred or preference shares or other securities qualifying as tier 1 capital and ranking *pari passu* with the most senior preferred or preference shares (if any) of the Bank and all preferred or preference shares or other securities of Subsidiaries (which will include, without limitation, the Series B Preference Shares and the Series C Preference Shares) qualifying as tier 1 capital of the Bank and entitled to the benefit of any guarantee, support agreement or other contractual undertaking of the

Bank ranking *pari passu* with this Subordinated Guarantee as regards entitlement to distributions thereunder, and all such guarantees, support agreements or contractual undertakings;

“Guarantee Payments” means (without duplication) payments under this Subordinated Guarantee in respect of (a) any accrued but unpaid Dividends if declared by the Issuer on the Series D Preference Shares for the most recent Dividend Period if on or before the First Call Date or for the four most recent Dividend Periods if thereafter; (b) the Optional Redemption Price or the Make Whole Redemption Price, as the case may be, payable with respect to any Series D Preference Shares due to be redeemed by the Issuer; (c) the Liquidation Distributions due on the Liquidation Date; and (d) any Additional Amounts payable by the Issuer, in each case subject to the limitations contained in paragraph 3 hereof;

“Holder” means, in relation to any Series D Preference Share, the member of the Issuer whose name is entered in the Register as holder of such Series D Preference Share;

“Issuer” means BCP Finance Company, a wholly-owned direct Subsidiary of the Bank incorporated in the Cayman Islands;

“Junior Obligations” means (i) ordinary shares of the Bank, (ii) each class of preferred or preference shares or similar securities of the Bank that ranks junior to the most senior ranking preferred or preference shares or similar securities of the Bank and (iii) any preference share or preferred security of a Subsidiary or the Issuer entitled to the benefit of a guarantee or support agreement or similar undertaking of the Bank that ranks junior to the Subordinated Guarantee or any such guarantees or support agreements or similar undertakings of the Bank;

“Liquidation Date” means the date of final distribution of the assets of the Issuer in the case of a liquidation, dissolution or winding up of the Issuer (whether voluntary or involuntary);

“Liquidation Distribution” means the aggregate of the Liquidation Preference plus accrued and unpaid Dividends (whether or not declared) calculated from and including the immediately preceding Dividend Date (or, if none, the Closing Date) to the Liquidation Date;

“Liquidation Parity Obligations of the Bank” means the most senior preferred or preference shares or other securities qualifying as tier 1 capital and ranking *pari passu* with the most senior preferred or preference shares (if any) of the Bank and all preferred or preference shares or similar securities of Subsidiaries or of the Issuer (which will include the Series B Preference Shares and the Series C Preference Shares) qualifying as tier 1 capital of the Bank on a consolidated basis and entitled to the benefit of any guarantee, support agreement or other contractual undertaking of the Bank ranking *pari passu* with the Subordinated Guarantee as regards participation in the assets of the Bank upon liquidation, or all such guarantees, support agreements or contractual undertakings;

“Liquidation Parity Obligations of the Issuer” means, in relation to the Issuer, the Series B Preference Shares, the Series C Preference Shares and any other preferred or preference shares, if any, of the Issuer ranking *pari passu* with the Series D Preference Shares as regards participation in assets of the Issuer upon liquidation;

“Liquidation Preference” means the liquidation preference of EUR 50,000.00 per Series D Preference Share;

“Portuguese Tax” means any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Portugal or any political subdivision thereof or any authority therein or thereof having power to tax;

“Register” means the register of Holders maintained outside the United Kingdom on behalf of the Issuer;

“Senior Creditors” means liabilities of the Bank (other than any liability expressed to rank *pari passu* with or junior to the Subordinated Guarantee);

“Series B Preference Shares” means the euro denominated Floating Rate Non-cumulative Guaranteed Non-voting Series B Preference Shares of the Issuer, issued on 28 September 2000, each having a par value of euro 100.00;

“Series C Preference Shares” means the euro denominated Fixed Rate Non-cumulative Guaranteed Non-voting Series C Preference Shares of the Issuer, issued on 9 June 2004, each having a par value of euro 100.00;

“Series D Preference Shares” means the euro Series D Perpetual Non-cumulative Guaranteed Non-voting Step-Up Preference Shares of the Issuer outstanding, each with a Liquidation Preference of euro 50,000.00, and including any further Series D Preference Shares of the Issuer of the same series issued after the Closing Date and ranking *pari passu* with the Series D Preference Shares;

“Subsidiary” means any corporation or other person or entity of which more than 50 per cent. of the voting shares or similar ownership interests are owned, directly or indirectly, by the Bank; and

“Tax” means any present or future taxes, duties, assessments or governmental charges of whatever nature.

2. Guarantee

Subject to the limitations contained in the following paragraphs, the Bank irrevocably agrees to pay in full to the Holders the Guarantee Payments (except to the extent paid by the Issuer), as and when due, regardless of any defence, right of set-off or counterclaim which the Issuer may have or assert. This Subordinated Guarantee is continuing, irrevocable and absolute.

3. Limitations on Guarantee Payments

Notwithstanding paragraph 2 above, the Bank will not be obliged to make any Guarantee Payment in respect of Dividends (including accrued and unpaid Dividends relating to any payment due upon redemption or Liquidation Distribution and any Additional Amounts payable by the Issuer in respect of Dividends) on any Series D Preference Shares:

1. (a) to the extent that such Guarantee Payment, together with the amount of:
 - (i) any Dividends (and Additional Amounts relating thereto) previously paid by the Issuer or the Bank in respect of the Series D Preference Shares and distributions previously paid in respect of Dividend Parity Obligations, in each case in the then current fiscal year; and
 - (ii) any Dividends proposed to be paid by the Issuer in respect of the Series D Preference Shares and distributions proposed to be paid in respect of Dividend Parity Obligations, in each case in the then current fiscal year, if on or before the First Call Date, or, if thereafter, in the then current calendar quarter;would exceed Distributable Funds of the Bank; and
- (b) even if Distributable Funds of the Bank are sufficient, if, in the judgment of the Board of Directors of the Bank after consultation with the Bank of Portugal, such payment would otherwise breach or cause a breach by the Bank of the Capital Adequacy Regulations; or
2. to the extent that such payment would exceed the amount that the Holders would have received had the Issuer performed its obligations under the Series D Preference Shares.

The determination of any limitation of the Bank's obligations under this Subordinated Guarantee as set forth will be made on the relevant Dividend Date, Redemption Date or Liquidation Date, as the case may be.

4. Liquidation Distributions

Notwithstanding paragraph 2 above, if, at the time that any Liquidation Distribution is to be paid by the Bank in respect of the Series D Preference Shares, (i) remedy proceedings have been commenced by the Bank of Portugal in accordance with the Legal Framework for Credit Institutions and Financial Companies, in relation to the Bank or (ii) proceedings are pending or have been commenced for the voluntary or involuntary liquidation, dissolution or winding up of the Bank, payment under this Subordinated Guarantee of such Liquidation Distributions and payment by the Bank in respect of any liquidation distributions payable with respect to Liquidation Parity Obligations of the Issuer, shall not exceed the amount per share that would have been paid as the liquidation distribution from the assets of the Bank (after payment in full in accordance with the Portuguese law of all Senior Creditors) had the Series D Preference Shares and all such Liquidation Parity Obligations of the Issuer been issued by the Bank and ranked:

- (a) junior to all Senior Creditors;
- (b) *pari passu* with the most senior preferred or preference shares or with other securities qualifying as tier 1 capital and ranking *pari passu* with the most senior preferred or preference shares (if any) of the Bank; and
- (c) senior to all Junior Obligations.

5. Additional Amounts

All Guarantee Payments made hereunder in respect of the Series D Preference Shares by the Bank will be made without withholding or deduction for, or on account of, any Tax, unless such withholding or deduction is required by law. In the event of any withholding or deduction for or on account of any Portuguese Tax, the Bank will pay such additional amounts (for the purposes hereof "Additional Amounts") as may be necessary in order that the net amounts received by the Holders after such withholding or deduction shall equal the amounts which would have been receivable in respect of the Series D Preference Shares in the absence of such withholding or deduction; except that no such Additional Amounts will be payable to a Holder of Series D Preference Shares (or to a third party on his behalf) with respect to any Series D Preference Share:

- (a) to the extent that such Portuguese Tax is imposed or levied by virtue of such Holder (or beneficial owner) having some connection with Portugal other than being a Holder (or beneficial owner) of such Series D Preference Share; or
- (b) to the extent that such Portuguese Tax is imposed or levied by virtue of such Holder (or beneficial owner) not having made a declaration of non-residence in, or other lack of connection with, Portugal or other similar claim for exemption, such Holder (or beneficial owner) having been advised of the obligation to make such withholding or deduction; or
- (c) 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; or
- (d) where presentation of a certificate is required, presented for payment by or on behalf of a Holder who would be able to avoid such withholding or deduction by presenting the relevant certificate to another Paying and Transfer Agent in a Member State of the European Union,

and except that the Bank's obligations to make any such Guarantee Payments are subject to the limitations contained in paragraph 3.

6. Partial Payments

In the event that the amounts described in paragraphs 3 and 5 above cannot be made in full by reason of any limitation referred to in paragraphs 3 and 4 above, such amounts will be payable *pro rata* in the proportion that the amount available for payment bears to the full amount that would have been payable but for such limitation.

7. Waiver

The Bank hereby waives notice of acceptance of this Subordinated Guarantee and of any liability to which it applies or may apply, presentment, demand for payment protest, notice of non-payment, notice of dishonour, notice of redemption and all other notices and demands.

8. Continuing Guarantee

The obligations, undertakings, agreements and duties of the Bank under this Subordinated Guarantee shall in no way be affected or impaired by reason of the happening from time to time of any of the following:

- (a) the release or waiver, by operation of law or otherwise, of the performance or observance by the Issuer of any express or implied agreement, covenant, term or condition relating to the Series D Preference Shares to be performed or observed by the Issuer; or
- (b) the extension of time for the payment by the Issuer of all or any portion of the Dividends, Optional Redemption Price, Make Whole Redemption Price, Liquidation Distributions or any other sums payable under the terms of the Series D Preference Shares or the extension of time for the performance of any other obligation under, arising out of, or in connection with, the Series D Preference Shares; or
- (c) any failure, omission, delay or lack of diligence on the part of Holders to enforce, assert or exercise any right, privilege, power or remedy conferred on the Holders pursuant to the terms of the Series D Preference Shares, or any action on the part of the Issuer granting indulgence or extension of any kind; or
- (d) the voluntary or involuntary liquidation, dissolution, amalgamation, reconstruction, sale of any collateral, receivership, insolvency, bankruptcy, assignment for the benefit of creditors, reorganisation, arrangement, composition or readjustment of debt of, or other similar proceedings affecting, the Issuer or any of the assets of the Issuer; or
- (e) any invalidity of, or defect or deficiency in, the Series D Preference Shares; or
- (f) the settlement or compromise of any obligation guaranteed hereby or hereby incurred.

There shall be no obligation on the Holders to give notice to, or obtain consent of, the Bank with respect to the happening of any of the foregoing.

9. Deposit of Subordinated Guarantee

This Subordinated Guarantee shall be deposited with and held by JPMorgan Chase Bank, N.A. as Principal Paying and Transfer Agent until all the obligations of the Bank have been discharged in full. The Bank hereby acknowledges the right of every Holder to the production of, and the right of every Holder to obtain a copy of, this Subordinated Guarantee.

10. Enforcement; Rights of Remedy

A Holder may enforce this Subordinated Guarantee directly against the Bank, and the Bank waives any right or remedy to require that any action be brought against the Issuer or any other person or entity before proceeding against the Bank. Subject to paragraph 11, all waivers contained in this Subordinated Guarantee shall be without prejudice to the right to proceed against the Issuer. The Bank agrees that this Subordinated Guarantee shall not be discharged except by payment of the Guarantee Payments in full and by complete performance of all obligations of the Bank under this Subordinated Guarantee.

11. Subrogation

The Bank shall be subrogated to any and all rights of the Holders against the Issuer in respect of any amounts paid to the Holders by the Bank under this Subordinated Guarantee and will have the right to waive payment of any amount of Dividends in respect of which payment has been made to the Holders by the Bank pursuant to this Subordinated Guarantee. Any amount received by the Bank as a result of the exercise of any right of subrogation or any indemnity, reimbursement or other agreement, in all cases as a result of a payment under this Subordinated Guarantee, shall, if, at the time of any such payment, any amounts are due and unpaid under this Subordinated Guarantee, be used to pay any such due and unpaid amount to the Holders.

12. Purchase

Subject to applicable law and regulations, the Bank, at its sole option, shall be entitled to purchase Series D Preference Shares from any Holder in whole or in part.

13. Status

- (a) The Bank acknowledges that its obligations hereunder are several and independent of the obligations of the Issuer with respect to the Series D Preference Shares and that the Bank shall be liable as principal and sole debtor hereunder to make Guarantee Payments pursuant to the terms of this Subordinated Guarantee, notwithstanding the occurrence of any event referred to in paragraph 8.
- (b) Subject to applicable law, the Bank agrees that the Bank's obligations hereunder constitute unsecured obligations of the Bank and rank and will at all times rank:
 - (i) junior to all Senior Creditors;
 - (ii) *pari passu* with the Bank's obligations under the guarantees of the Series B Preference Shares and of the Series C Preference Shares and with any other Liquidation Parity Obligations of the Bank, if any; and
 - (iii) senior to all Junior Obligations

and accordingly the Bank's obligations hereunder are conditional on the availability of funds to satisfy such obligations in a manner consistent with such ranking.

14. Undertakings of the Bank

- (a) The Bank undertakes that if it issues any preferred or preference shares which would rank senior to its obligations under this Subordinated Guarantee or if it gives any guarantee in respect of any preferred preference shares issued by any Subsidiary which guarantee would rank senior to this Subordinated Guarantee (including, without limitation, any guarantee that would provide a priority of payment with respect to Distributable Funds) it will, on the date of issue of such preferred or

preference shares, change this Subordinated Guarantee to give the Holders such rights and entitlements as are contained in or attached to such preferred or preference shares or such other guarantee so that this Subordinated Guarantee ranks *pari passu* with, and contains substantially equivalent rights of priority as any such preferred or preference shares or other guarantee.

- (b) The Bank undertakes that it will pay or set aside the amount necessary to pay in full (a) the most recent scheduled Dividend prior to the First Call Date or (b) the four most recent quarterly scheduled Dividends after the First Call Date, before the Bank (i) issues any preferred or preference shares ranking *pari passu* with its obligations under this Subordinated Guarantee, or (ii) gives any guarantee in respect of any preferred or preference shares issued by any direct or indirect Subsidiary (including the Issuer) ranking *pari passu* with its obligations under this Subordinated Guarantee.
- (c) The Bank agrees that if any Guarantee Payments payable in respect of the most recent Dividend Period if on or before prior to the First Call Date, or if thereafter, the four most recent quarterly Dividend Periods, have not been paid, whether by reason of limitations on payments of Dividends or otherwise, the Bank will pay such amount prior to payment of any dividends (except dividends in the form of the Bank's ordinary shares or other shares of the Bank ranking junior to the obligations of the Bank under this Subordinated Guarantee) upon the Bank's ordinary shares or any other shares of the Bank ranking junior to this Subordinated Guarantee (whether issued directly or by a Subsidiary and entitled to the benefits of a guarantee ranking junior to this Subordinated Guarantee) or other distribution in respect thereof.
- (d) In the event that any scheduled Dividends have not been paid in full, the Bank undertakes to pay or set aside payment with respect to full dividends on all outstanding Series D Preference Shares for the equivalent of (i) one Dividend Date prior to the First Call Date and (ii) four consecutive Dividend Dates after the First Call Date, before the Bank's ordinary shares or any other shares of the Bank ranking *pari passu* with or junior to this Subordinated Guarantee (whether issued directly or by a Subsidiary and entitled to the benefits of a guarantee ranking *pari passu* with or junior to this Subordinated Guarantee) are redeemed, repurchased, or otherwise acquired for any consideration (or any monies be paid or made available for a sinking fund for the redemption of any such shares) by the Bank (except by conversion into or in exchange for shares of the Bank ranking junior to this Subordinated Guarantee).
- (e) The Bank undertakes to maintain the Issuer, or procure that the Issuer is maintained, as a Subsidiary for so long as any Series D Preference Share remains in issue.
- (f) The Bank undertakes that, so long as any of the Series D Preference Shares are outstanding, unless (i) the Bank of Portugal gives its prior consent, (ii) remedy proceedings have been commenced by the Bank of Portugal in accordance with the Legal Framework for Credit Institutions and Financial Companies, in relation to the Bank or (iii) the Bank is in liquidation, dissolution or winding up proceedings, the Bank will not agree, or take any action to cause, the liquidation, dissolution or winding up of the Issuer.
- (g) The Bank undertakes to procure that the Issuer will maintain at all times whilst the Series D Preference Shares are outstanding, (i) whilst the Series D Preference Shares are listed on the London Stock Exchange and the rules of the London Stock Exchange so require, a Paying and Transfer Agent in London, (ii) a Registrar having its office outside the UK and (iii), if possible, a Paying and Transfer 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.

15. Termination

With respect to the Series D Preference Shares, this Subordinated Guarantee shall terminate and be of no further force and effect upon payment of the Optional Redemption Price or the Make Whole Redemption Price, as the case may be, or purchase and cancellation of all Series D Preference Shares or full payment of the Liquidation Distributions and liquidation of the Issuer, *provided however* that this Subordinated Guarantee will continue to be effective or will be reinstated, as the case may be, if at any time payment of any sums paid under the Series D Preference Shares or this Subordinated Guarantee must be restored by a Holder.

16. Transfer

Subject to operation of law, all guarantees and agreements contained in this Subordinated Guarantee shall bind the successors, assigns, receivers, trustees and representatives of the Bank and shall inure to the benefit of each Holder and their (and any subsequent) successors, each of whom shall be entitled severally to enforce this Subordinated Guarantee against the Bank. The Bank shall not transfer its obligations hereunder without the prior approval of the Holders of not less than two-thirds of the Series D Preference Shares (excluding any Series D Preference Shares held by the Bank or any entity of which the Bank, either directly or indirectly, owns 20 per cent. or more of the voting shares or similar ownership interests), which consent shall be obtained in accordance with procedures contained in the Issuer's Articles of Association and the applicable law of the Cayman Islands; *provided however*, that the foregoing shall not preclude the Bank from merging or consolidating with, or transferring or otherwise assigning all or substantially all of its assets to, a banking organisation organised under the laws of Portugal, without obtaining any approval of such Holders.

17. Amendments

Except for those changes (a) required by paragraph 14(a) above, (b) which do not adversely affect the rights of Holders, or (c) necessary or desirable to give effect to any one or more transactions referred to in the proviso to paragraph 16 above (in any of which cases no agreement will be required), this Subordinated Guarantee shall be changed only by agreement in writing signed by the Bank with the prior approval of the Holders of not less than two-thirds of the Series D Preference Shares (excluding any Series D Preference Shares held by the Bank or any entity of which the Bank, either directly or indirectly, owns 20 per cent. or more of the voting shares or other similar ownership interests), in accordance with the procedures contained in the Issuer's Articles of Association and the applicable law of the Cayman Islands.

18. Notices

Any notice, request or other communication required or permitted to be given hereunder to the Bank shall be given in writing by delivering the same against receipt therefor or by facsimile transmission (confirmed by mail) addressed to the Bank, as follows (and if so given, shall be deemed given upon mailing of confirmation, if given by facsimile transmission), to:

Banco Comercial Português, S.A.
Rua Augusta 62 -2º
1149-023 Lisboa
Portugal

Facsimile: +351 21 321 1079

Attention: Investor Relations

The address of the Bank may be changed at any time and from time to time and shall be the most recent such address furnished in writing by the Bank to JPMorgan Chase Bank, N.A. as the Principal Paying and Transfer Agent.

Any notice, request or other communication required or permitted to be given hereunder to the Holders shall be given by the Bank in the same manner as notices sent by the Issuer to Holders.

19. Miscellaneous

- (a) This Subordinated Guarantee is solely for the benefit of the Holders and is not separately transferable from the Series D Preference Shares.
- (b) The Bank will furnish any Holder, upon request of such Holder, with a copy of its annual report, and any interim reports made generally available by the Bank to holders of the ordinary shares of the Bank.

20. Governing Law and Jurisdiction

- (a) This Subordinated Guarantee is governed by, and shall be construed in accordance with, English law save that paragraph 13(b) shall be governed by, and construed in accordance with, Portuguese law.
- (b) The Bank hereby irrevocably agrees for the benefit of the Holders that the courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with this Subordinated Guarantee and that accordingly any suit, action or proceedings arising out of or in connection therewith (together referred to as “**Proceedings**”) may be brought in such courts.
- (c) The Bank irrevocably and unconditionally waives and agrees not to raise any objection which it may have now or subsequently to the laying of the venue of any Proceedings in the courts of England and any claim that any Proceedings have been brought in an inconvenient forum and further irrevocably and unconditionally agrees that a final judgment in any Proceedings brought in the courts of England shall be conclusive and binding upon the Bank and may be enforced in the courts of any other jurisdiction.
- (d) Nothing contained in this paragraph shall limit any right of the Holders to take Proceedings against the Bank 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 competent jurisdictions, whether concurrently or not, to the extent permitted by applicable law.
- (e) The Bank appoints its London representative office at 3rd floor, 63 Queen Victoria Street, London EC4V 4UA or, if different, its registered office for the time being as its agent for service of process in England in respect of any Proceedings and undertakes that in the event such branch is not, or ceases to be, effectively appointed to accept service of process on the Bank’s behalf, the Bank shall immediately appoint another person as its agent for that purpose. Nothing in this subparagraph shall affect the right of the Holders to serve process in any other manner permitted by law.

IN WITNESS WHEREOF this Subordinated Guarantee has been manually executed as a deed poll on behalf of the Bank.

Executed as a deed by
BANCO COMERCIAL PORTUGUÊS, S.A.
acting through its international Madeira branch
("Sucursal Financeira Internacional")

acting by

_____ Director

and

_____ Director

in the presence of:

Witness's signature

Name: _____

Address: _____

Dated 13 October 2005

USE OF PROCEEDS

The net proceeds of the issue of the Series D Preference Shares, amounting to approximately €496,250,000, will be applied by the Issuer to subscribe for a subordinated deposit issued by the Bank or other similar instrument at the Bank's election and will augment the Bank's tier 1 capital on a consolidated basis.

DESCRIPTION OF THE BANK AND THE BCP GROUP

History and Development of the Bank

Overview

Millennium bcp is the principal bank within the BCP group of companies (the “BCP Group”), the largest banking group in Portugal in terms of total assets, loans to customers and number of branches and the second largest in terms of customer deposits on 31 December 2004 (based on data from the Portuguese Banking Association). The BCP Group is engaged in a wide variety of banking and related financial services activities, in Portugal and internationally. In Portugal, the BCP Group’s operations are primarily retail banking, but it offers a range of additional financial services, including investment banking, mortgage lending, consumer credit, specialised credit, asset management and insurance. Internationally, the BCP Group operates in a small number of countries with high growth potential, targeting in particular Poland and Greece, and in a number of other countries that have a close historical connection with Portugal or large communities of Portuguese origin.

On 30 June 2005, the BCP Group had total assets of euro 74,593 million and total customers’ funds (consisting of amounts due to customers including securities, assets under management and capitalisation insurance) of euro 54,384 million. Net loans amounted to euro 52,465 million. The BCP Group’s capital ratio stood at 12.8 per cent. on 30 June 2005, according to Bank of Portugal rules (tier one: 7.2 per cent.).

Based on the latest available data from the Portuguese Banking Association, the Bank accounted for 22 per cent. of total assets, 27 per cent. of loans to customers and 23 per cent. of customers’ deposits in the Portuguese banking sector on 31 December 2004. In addition, on 30 June 2005, the Bank was one of the largest companies listed on Euronext Lisbon in terms of market capitalisation (euro 6,906 million).

The Bank’s registered offices are located at Praça Dom João I, 28, 4000–434 Porto, with telephone number +351 213 211 000.

Bank History

The Bank was incorporated in June 1985 as a limited liability company (*sociedade anónima*) with registered number 40043 organised under the laws of the Portuguese Republic, following the deregulation of the Portuguese banking industry that permitted the formation of privately owned commercial banks. The Bank was founded with the support of a group of over 200 founding shareholders and a team of experienced banking professionals who sought to capitalise upon the opportunity to form an independent financial institution, operating primarily in Portugal, that would serve the underdeveloped domestic financial market in areas and in a manner previously unexplored by the state-owned banks. The Bank implemented a clearly defined strategy, based upon intensive market research, which was focused on:

- segmentation of the markets and quality of service directed to the specific needs of each such market;
- integrated delivery and cross-selling of financial services;
- modern bank operating systems;
- innovative marketing;
- experienced management; and
- ensuring adequate capital resources in anticipation of investments and asset expansion.

In pursuit of the Bank’s strategy of market segmentation, key market segments have been identified over time. Until 2003, these segments were served through autonomous distribution networks. These networks

operated under different brands: were Individuals & Businesses, Private Banking, Corporate Retail, Corporate Banking, NovaRede, Atlântico and SottoMayor. In October 2003, the Bank replaced these various brands by "Millennium bcp", a single brand name.

The first stage of the BCP Group development was characterised primarily by organic growth and, until 1994, the Bank was able to increase significantly its share of the Portuguese financial services market by exploiting the market opportunities presented by deregulation. After 1994, competition in the domestic banking market intensified following the modernisation of existing financial institutions and the entry of new foreign and domestic deposit taking banks and non-deposit taking financial institutions. The Bank acquired a domestic bank with a complementary business focus to secure additional market share in domestic banking, insurance and other related financial services sectors.

In March 1995, the Bank acquired control of Banco Português do Atlântico, S.A. ("BPA" or "Atlântico"), which was then the largest private sector bank in Portugal. This followed a joint take-over 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 the Bank.

Império's largest shareholder was the José de Mello Group. The joint take-over bid for the whole share capital of Atlântico led to further cooperation between this group and the Bank, which culminated in the merger of the Bank's financial services business with that of the José de Mello Group in January 2000. The merger included the purchase from the José de Mello Group of its subsidiaries Uniparticipa and Finimper that, in turn, controlled 51 per cent. of the share capital of each of Banco Mello and Império, respectively. Subsequently, the Bank launched public offers for the minority interests in Banco Mello and Império. In June 2000, Banco Mello was merged into the Bank.

In March 2000, the Bank reached an agreement with Caixa Geral de Depósitos ("CGD"), a large Portuguese banking group, for the purchase of a controlling stake in Banco Pinto & Sotto Mayor ("SottoMayor"), held by CGD. In April 2000, the Bank purchased, in a public tender offer, a majority interest in SottoMayor from CGD and the remaining shares in SottoMayor from its minority shareholders. In December 2000, SottoMayor was merged into the Bank.

With a view to strengthening the focus on the core business of distribution of financial products, including bancassurance, and to optimising capital consumption, important agreements were established in 2004 with the Caixa Geral de Depósitos Group relating to non-bancassurance insurance and with the Belgian-Dutch group Fortis involving the bancassurance business. In the former case, the agreement involved the sale of the whole of the share capital of insurers Império Bonança and Seguro Directo, and of Impergesto and Servicomercial. The agreement with Fortis involved the sale of 51 per cent. of the share capital and the transfer of management control of the insurers – Companhia Portuguesa de Seguros, S.A. ("Ocidental"), Ocidental – Companhia Portuguesa de Seguros de Vida, S.A. ("Ocidental Vida") and Médis – Companhia Portuguesa de Seguros de Saúde, S.A. ("Médis"), and of the pension-fund manager Pensõesgera – Sociedade Gestora de Fundos de Pensões, S.A. ("Pensõesgera"). Following the approval of the relevant authorities, these operations took place in the first half of 2005. In the scope of this partnership, Fortis increased its shareholding in the Bank to 4.99 per cent. in September 2005.

The Bank has actively pursued a strategy of focused international expansion. Since 2000, the Bank has targeted those markets that present strong business growth prospects and where there is a strong commercial rationale for establishing banking operations following a similar business model to the one the Bank has adopted in its Portuguese market. In Poland, the Bank operates through Bank Millennium, formerly named Big Bank Gdanski ("BBG"). In Greece, the Bank's NovaBank operations target the Greek retail banking sector. The Polish and Greek Markets are considered a priority for the Bank. In addition, the Bank has for a number of years established banking operations in a number of countries that have a close historical connection with Portugal or

have large communities of Portuguese origin. These include Mozambique, China (Macao), Luxembourg, France, the United States and Canada.

In the context of the strategic guidelines announced in 2003 (see “**Strategy**”), namely with the view of focusing on core banking businesses and optimising the use of capital, reducing its stakes in non-core operations, the Bank announced in August 2005 that it had reached an agreement with Dah Sing Bank, Limited, a banking subsidiary of the Hong Kong based financial services group Dah Sing Banking Group, to sell its banking and insurance activities in Macau. The Bank is also pursuing negotiations for the sale of 80 per cent. of Banque BCP France and Banque BCP Luxembourg, and it has reached an agreement to sell BCP's shareholding representing 50.001 per cent. of the capital of Interbanco, S.A, a car finance company specialised on providing financial services at the point of sale of the car.

The Bank has also expanded into international activities through the formation of partnerships and other strategic alliances with selected foreign financial institutions. These include alliances with Eureko, Spain's Banco Sabadell and Fortis.

Business Overview

Nature of Operations and Principal Activities

The BCP Group is engaged in a wide variety of banking and related financial services activities, in Portugal and internationally. In Portugal, the Bank's operations are primarily retail banking, but the Bank offers a range of additional financial services. The Bank also engages in a number of international activities and partnerships.

The Bank's banking products and services include deposit-taking, short-term lending, mortgage lending, trade finance, credit cards, fund transfers, custody of securities, foreign exchange, treasury services and money market operations. The Bank's domestic retail banking activities are conducted principally through its marketing and distribution network in Portugal, that follow a segmented approach to the Portuguese retail banking market and serve the diverse banking needs of specific groups of customers. Back office operations for the distribution network are integrated in order to exploit economies of scale.

The Bank has subsidiaries that offer additional financial services, including investment banking, mortgage lending, 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

The Bank's strategy is to maintain and develop its position as the leading private Portuguese financial services group by extracting the maximum potential value from its retail and corporate customer base. Additionally, the Bank plans to focus on selective international expansion. The three main elements of the Bank's strategy are to:

- *Further develop the Bank's leading position in the Portuguese banking market.* The Bank intends to maintain its focus on its domestic retail banking operations, extracting potential value from its customer base by utilising its detailed knowledge of its customers and the Portuguese market. In addition, the Bank aims to generate additional revenue growth by expanding upon its best management practices, by focusing on higher value added products and by increasing cross-selling across its marketing and distribution network. The Bank believes there is significant potential to increase the range of products

sold through its network. The Bank also intends to continue to reduce operating costs by improving operating efficiencies.

- *Pursue a strategy of selective international expansion, with Poland and Greece as its growth focus in the medium term.* The Bank intends to concentrate its international expansion in Poland and Greece through organic growth. The Bank believes Bank Millennium, its Polish operation, is well placed to deliver a high return on investment, due to the significant economic growth expected in Poland as its financial system converges with that of EU Member States, and as a result of the major restructuring program of Bank Millennium which the Bank undertook in 2002-04. This included the introduction of a new technology platform, the reorganisation of its branch network, the redefinition of its credit processes and the alignment of provisioning policies with EU standards. NovaBank in Greece is still at an early stage of development, but is expected to grow significantly. The Bank's focus on Poland and Greece results from the belief that, as the banking industry deregulates in both Poland and Greece, the Bank will be able to apply the experience it gained following the deregulation of the Portuguese banking system and Portugal's accession to the EU. In addition, these markets allow the Bank to leverage its significant experience in relation to the launch, turnaround and management of retail banking operations. The Bank also operates in a number of countries with significant communities of Portuguese origin, where the Bank can take advantage of its position as a leading Portuguese bank.
- *Maintain strong commitment to capital management.* Improving management of its capital is a strategic priority for the BCP Group. The Bank believes that the capitalisation of the Bank, together with its internal capital generation, should be sufficient to enable it to maintain adequate capital ratios going forward. In addition, the Bank intends to manage its capital as effectively as possible by reallocating capital to its most profitable businesses, focusing on core activities and divesting non-core operations in due course.

Banking Network in Portugal

The Bank offers a broad range of banking products and services to retail and corporate customers in Portugal. These products and services include deposit-taking, short-term lending, mortgage lending, trade finance, credit cards, fund transfers, custody of securities, foreign exchange, treasury services and money market operations.

The Bank's retail banking activities are conducted in Portugal through its customer-oriented marketing and distribution network. In addition to providing retail banking products and services, the Bank's banking distribution network also serves as a distribution channel for certain specialised products and services of the Bank, including investment banking, mortgage lending, consumer credit, specialised credit, asset management and insurance.

Since 1996, the Bank has integrated its back office operations. The Bank established Millennium bcp – Prestação de Serviços (formerly known as ServiBanca), whose objective is to provide technological, operational, administrative and purchasing services to members of the BCP Group. It provides its services at cost to all members of the BCP Group. Millennium bcp – Prestação de Serviços is responsible for carrying out standardised back office activities, management of information technology, accounting and audit, and the monitoring of the costs associated with the BCP Group's activities. Outsourcing back office functions to a common structure has allowed the BCP Group to take advantage of economies of scale and better allocate its resource management capabilities, even if until 2003 the Bank maintained autonomous distribution networks operating under distinct brands to take advantage of strong brand recognition.

Other Financial Services in Portugal

Investment Banking

Millennium bcp investimento is the Bank's investment banking subsidiary. Millennium bcp investimento is wholly owned by the BCP Group.

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. ("**Cariplo**") (now a part of the Italian financial group Banca Intesa), an autonomous mortgage bank, Banco de Investimento Imobiliário, S.A. ("**BII**"). BII is 69.9 per cent. owned by the BCP Group, with the remaining 30.1 per cent. 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 regarding BII. The Bank will acquire 30.1 per cent. of the capital of BII owned by Intesa, becoming the sole shareholder of BII. The execution of this transaction is subject to all relevant precedent conditions and regulatory approvals.

Asset Management

The Bank is engaged in the asset management business through Millennium bcp – Gestão de Fundos de Investimento, S.A., AF International, S.G.P.S. Sociedade Unipessoal, Lda, BCP Investimentos International, S.A. and AF Investments, Limited, all wholly owned subsidiaries. Millennium bcp – Gestão de Fundos de Investimento operates a number of securities funds and real estate funds.

Insurance

The Bank has an interest in insurance activities through Millennium bcp Fortis, a joint-venture for bancassurance business with Fortis. The Group holds 49 per cent. of Millennium bcp Fortis' share capital, while the remaining 51 per cent is held by Fortis.

International Activities

The Bank is actively pursuing its strategy of focused international expansion. Since 2000, the Bank has targeted those countries that present strong business growth prospects and where the Bank believes there is a strong commercial rationale for establishing banking operations following a similar business model to the one the Bank has adopted in the Portuguese market. In exploiting this strategy, the Bank has concentrated on Poland and Greece in particular. In addition, the Bank established banking operations in a number of countries that have a close connection with Portugal or have large communities of Portuguese origin. These include Mozambique, China (Macao), Luxembourg, France, the United States and Canada.

Poland

In 1998, the Bank entered into a partnership agreement with the Polish financial group, BBG, pursuant to which the Bank launched a retail operation within BBG in the Polish market under the name "Millennium". This joint venture was controlled jointly by the Bank and BBG. As part of a restructuring of BBG in 2002, the Bank and BBG decided to merge their Millennium joint venture into BBG and establish one banking operation. During the fourth quarter of 2002, the Bank increased its shareholding in BBG to 50 per cent. of its share capital. At the start of 2003, BBG changed its name to Bank Millennium. All existing BBG branches and brands have been rebranded under the name "Bank Millennium".

Greece

In July 1999, the Bank and Interamerican Hellenic Life Insurance Company S.A. ("**Interamerican**"), one of the largest Greek life insurers and a wholly owned subsidiary of Eureka, launched a joint greenfield retail

banking operation in the Greek market, NovaBank. Following the April 2005 acquisition of 50 per cent. of NovaBank's share capital and controlling rights, Millennium bcp wholly-owns NovaBank.

Turkey

In order to leverage its operational capabilities and its geographic position, in 2002, NovaBank acquired Sitebank, a small Turkish commercial bank, to cater for the affluent individuals segment of the Turkish market in a selective and cost-efficient manner. This bank was subsequently renamed to BankEuropa.

Mozambique

Banco Internacional de Moçambique ("BIM") is a Mozambican retail bank that began trading in 1995. BIM was the first Mozambican bank to be created as a joint venture on an equal basis by local and foreign partners. In December 2001, BIM was merged into Banco Comercial de Moçambique, the Mozambican holding company of Banco Mello and Companhia de Seguros Império that was transferred to the Bank in 2000 following the Bank's agreement with the José de Mello Group to merge their financial services businesses. Banco Comercial de Moçambique was subsequently renamed Banco Internacional de Moçambique. BIM also holds interests in subsidiaries specialising in investment banking (BIM Investimento), in leasing activities (BIM Leasing), and in micro-credit operations (NovoBanco).

Macao

Banco Comercial de Macau ("BCM") is based in Macao and serves as a commercial and operating platform from which the Bank can target markets of Southeast Asia, including the Chinese market. BCM operates in the retail banking sector, focusing on consumer credit products and mortgage lending. BCM is wholly owned by the BCP Group.

France

Banque BCP (France) is a retail banking operation based in France established in 2001 as a result of the merger of the French banking institutions, which the Bank acquired as a result of the acquisitions of Atlântico, Banco Mello and SottoMayor. Banque BCP (France) serves a clearly defined market segment consisting of residents in France who originated from, or have close ties with, Portugal.

Luxembourg

Banque BCP (Luxembourg) became part of the BCP Group as a result of the acquisition of Banco Mello in 2000. It was formerly named Banco Mello (Luxembourg) and is wholly owned by the BCP Group. Banque BCP (Luxembourg) focuses on retail banking and targets the Portuguese community resident in Luxembourg.

United States of America

In November 2000, BCPBank (US), or BPABank, as it was then named, opened its first branches in the State of New Jersey in the United States of America. BCPBank (US) targets the local population in areas where the Portuguese community has a strong presence. BCPBank (US) is wholly owned by the BCP Group.

Canada

Following the acquisition by the Bank of SottoMayor in 2000, BCPBank (Canada), or SottoMayor Bank Canada, as it was then named, became part of the BCP Group. BCPBank (Canada) is a retail bank operating in Canada, which targets the local population in areas where the Portuguese community has a strong presence. BCPBank (Canada) is wholly owned by the BCP Group.

International Partnerships

Since 1991, the Bank has also developed an internationalisation strategy based on establishing co-operation agreements with foreign partners. The Bank's current foreign partners are Eureko, Banco Sabadell and

Fortis. These partnerships involve, among other things, joint ventures, cross-shareholdings and reciprocal board representation.

Banco Sabadell

In March 2000, the Bank 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 and in particular in the area of Internet financial services. The Bank currently holds 3.0 per cent. of its share capital, while Banco Sabadell holds 3.1 per cent. of the share capital of the Bank.

Eureko

In 1991, the Bank established strategic partnerships with two significant European insurance groups, Friends Provident and AVCB Averro Centraal Beheer. In 1992, Eureko was established as a pan-European insurance group, as a result of the association of 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 Bank, through its insurance holding Seguros e Pensões Gere, became the fifth partner of this pan-European strategic insurance alliance. The Bank currently holds 3.9 per cent. of the share capital of Eureko, while Eureko Group holds 5.8 per cent. of the share capital of the Bank.

Fortis

In 2005, the Bank and Fortis established a joint venture for the bancassurance business, through the insurance company Millennium bcp Fortis. The Group holds 49 per cent. of Millennium bcp Fortis' share capital, while the remaining 51 per cent. is held by Fortis. In September 2005, Fortis increased its shareholding in the Bank to 4.99 per cent.

Banca Intesa

In 1991, the Bank established a strategic partnership with Cariplo, which in 1998 became part of the Italian financial group now known as Banca Intesa. This partnership was essential to the establishment of a mortgage bank, BII, which has successfully combined the product expertise in mortgage lending of the Bank's Italian partner with the Bank's knowledge of the Portuguese market. On 21 September 2005, the Bank and Intesa agreed to unwind this partnership and the Bank will acquire 30.1 per cent. of the capital of BII. Concurrently, Intesa sold 7.43 per cent. of its shareholding in the Bank, and the Bank disposed of its 2.1 per cent. of the share capital of Intesa through a contribution to the Bank's Pension Fund.

Principal Markets and Competition

Since 1996, there has been a significant expansion of personal financial services in the Portuguese banking market, resulting in a sustained development of mortgage credit, consumer loans, investment funds and unit-linked products, and increased use of credit cards. The Portuguese banking market is now well developed, 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 commercial capabilities. In addition, there has been significant development of internet banking operations and the use of new techniques, such as customer relationship management, which enable banks to accurately track customers' requirements. Cross-selling has benefited from the use of such techniques and has increased the proportion of banks' non-interest income in recent years. Foreign banks have also entered the Portuguese market, particularly in areas such as corporate banking, asset management, private banking and brokerage services. These factors have resulted in increased competition, especially for customers' funds. Customer loans and advances increased significantly in the second half of the 1990s, but lower economic growth observed since the end of 2000 led to a slowdown of demand for credit, resulting in increased competition.

The Bank competes primarily with the four other major Portuguese banking groups: Caixa Geral de Depósitos; Banco Espírito Santo; Banco Santander Totta and BPI. The diversity of the Bank's marketing and distribution networks until October 2003, and since that date the single brand Millennium bcp, have enabled the Bank to maintain a leading position among its competitors. The Bank's fully centralised back office operations enable the Bank to operate efficiently and exploit economies of scale.

At the end of 2004, the Bank's estimated market share, together with that of the four other major Portuguese banking groups, was in excess of 80 per cent. in terms of total assets, customers' funds and number of branches, as a result of the consolidation that took place in the Portuguese banking system in the second half of the 1990s. This consolidation process was driven by the need to achieve economies of scale and operating synergies. More recently, major Portuguese banks have rationalised their operating structures, with the aim of cost-cutting and improving efficiency. In addition, many Portuguese banks have focused on increasing revenues through increased market share and cross-selling as well as on core operations, which tend to support aggressive commercial strategies.

The following table illustrates the competitive environment in Portugal as at 31 December 2004, 2003, 2002 and 2001, and shows the change between 31 December 2004 and 31 December 2003:

	<i>As at 31 December</i>				<i>Change (2004- 2003)</i>
	2004	2003	2002	2001	
	<i>(in thousands)</i>				
Number of banks ⁽¹⁾	61 ⁽²⁾	62	60	57	(1.6)%
Number of branches	5,312	5,256	5,140	5,167	1.1%
Population (thousands)	10,356 ⁽³⁾	10,475	10,408	10,329	0.6%
Inhabitants per branch.....	1,983	1,993	2,025	1,999	(0.5)%
Branches per bank.....	87	85	86	91	2.7%

Sources: Bank of Portugal, Government of Portugal, Portuguese Banking Association and National Statistics Institute of Portugal

(1) Including Caixa Económica Montepio Geral.

(2) Estimated by the Bank as at 31 December 2004.

(3) Estimated by the Portuguese Government as at 31 December 2004.

The Bank is also subject to strong competition in the international markets in which it operates. In Poland and in Greece, household and corporate indebtedness remain low by international standards, which the Bank believes supports strong medium term credit growth and therefore makes its strategy of organic growth viable. However, these opportunities have led to increased competition in recent years. Privatisation and consolidation in the Polish banking industry in the second half of the 1990s has also led to the establishment of foreign banks and increased competition. In addition, in both Poland and Greece, increased European integration has created strong incentives for the cross-border provision of financial services without a local commercial presence, and for cross-border mergers, resulting in significant additional competition from foreign banks.

Recent Developments

The following are among the most significant business developments of the BCP Group since 30 June 2005:

- On 3 August 2005, the Bank announced that it had reached an agreement with Dah Sing Bank, Limited, a banking subsidiary of the Hong Kong based financial services group Dah Sing Banking Group, to sell its banking and insurance activities in Macau. The Bank will maintain its Macau branch. The transaction involves the sale of 100 per cent. of the share capital of Banco Comercial

de Macau, S.A., 4 per cent. of the share capital of Companhia de Seguros de Macau, SARL (92 per cent. of the capital is held by Banco Comercial de Macau), and 0.13 per cent. of the share capital of Companhia de Seguros de Macau Vida, SARL (the remaining capital is held by Companhia de Seguros de Macau) for MOP 1,719 million (euro 177 million). This transaction is subject to relevant regulatory approvals.

- On 4 August 2005, the Bank announced that it had reached an agreement with Société Générale to sell the Bank's shareholding in Interbanco, S.A. The transaction involves the sale of 50.001 per cent. of the share capital of Interbanco, S.A. for euro 110 million, subject to relevant regulatory approvals and pre-emption rights established in the shareholders agreement existing between the Bank and SAG. Subsequently, SAG notified the Bank of the exercise of its pre-emption rights pursuant to the shareholders agreement, designating, as provided in such shareholders agreement, Santander Consumer Finance as the acquirer of the Bank's stake in Interbanco, in accordance with the terms and conditions agreed to between the Bank and Société Générale Consumer Finance.
- On 5 August 2005, following the communication made on 19 April 2005 by Banque BCP announcing the start of negotiations with a relevant French financial institution aiming at establishing a partnership through the acquisition of participations in Banque BCP France and Banque BCP Luxembourg, whose share capital is currently fully owned by the Bank, the Bank made the following announcement: *"The above-mentioned financial institution is "Caisse Nationale des Caisses d' Epargne", and the negotiations for the acquisition of a 80.1 per cent. participation in the share capital of both banks have already reached an advanced stage. Accordingly, the information and consultation procedures with the company's relevant social partners were already initiated. According to local legislation, the fulfilment of those procedures is a pre-requirement for the completion of the agreement, notwithstanding the approval from the supervising authorities."*
- On 12 September 2005, the Bank announced that it had initiated the necessary procedures for the approval of the distribution of an interim dividend for 2005, for the gross amount of 0.033 euros per share, to be paid during October 2005. The amount of this interim dividend corresponds to a 10 per cent. increase versus the previous year's interim dividend and is in line with the dividend policy introduced in 2004. The aim of this policy, aligned with best international practices, is to increase the return to shareholders through a more frequent distribution of the earnings generated by the Bank.
- On 21 September 2005, the Bank and Intesa agreed on to unwind this partnership and the Bank will acquire 30.1 per cent. of the capital of BII. Concurrently, Intesa sold 7.43 per cent. of its shareholding in the Bank, and the Bank disposed of its 2.1 per cent of the share capital of Intesa through a contribution to the Bank's Pension Fund.
- On 22 September 2005, Fortis announced having acquired a 3.13 per cent. stake in the Bank, for a total consideration of EUR 224.2 million. This brings Fortis' total participation in the Bank's capital to 4.99 per cent.
- On 22 September 2005, Eureka B.V. announced that it has acquired a further 1 per cent. stake in the Bank. Eureka now holds a total shareholding in the Bank of 7.55 per cent., making Eureka the largest single shareholder in the Bank.

The Bank formally presented its interest in participating in the privatisation of Banca Comerciala Romana, the largest bank in Romania with a market share of over 30 per cent. In July 2005, the Romanian authorities announced that the Bank had been accepted to participate in the pre-qualifying process for the privatisation of Banca Comerciala Romana. The Bank is pursuing thorough analysis and evaluation of the

conditions involved in this privatisation to support a decision to submit a proposal, the deadline for which is 17 October 2005.

Organisational Structure

The Bank and the BCP Group

The following table summarises the organisational structure of the principal subsidiaries of the BCP Group on 30 June 2005:

Banco Comercial Português, S.A.		
Domestic Operations	Foreign Operations	International Partnerships
Millennium bcp Investimento (Investment Banking) (100.0%)	Bank Millennium (Poland) (50.0%)	Eureko (3.9%)
Banco de Investimento Imobiliário (Mortgage Lending) (69.9%)	NovaBank (Greece) (100.0%)	Banco Sabadell (3.0%)
Millennium bcp – Gestão de Fundos de Investimento (Asset Management) (100.0%)	Banco Internacional de Moçambique (Mozambique) (66.7%)	Banca Intesa (2.1%)
Interbanco (Consumer Credit) (50.0%)	Banco Comercial de Macao (Macao) (100.0%)	
ActivoBank (Retail Bank) (100.0%)	Banque BCP (France) (100.0%)	
Millennium bcp Fortis (Bancassurance) (49.0%)	Banque BCP (Luxembourg) (100.0%)	
	BCPBank (USA) (100.0%)	
	BCPBank (Canada) (100.0%)	
	BankEuropa (Turkey) (50.0%)	
	Banque Privée (Switzerland) (100.0%)	

In addition, BCP's subsidiary Millennium bcp – Prestação de Serviços ACE centralises common operational and management support units.

Significant Subsidiaries

The following is a list of the main subsidiaries of the Bank on 30 June 2005:

	Country of incorporation/ residence	% held by the Bank	% held by the BCP Group
Millennium bcp – Gestão de Fundos de Investimento, S.A.	Portugal	100.0	100.0
Banco Millennium bcp Investimento, S.A.	Portugal	–	100.0
Banco de Investimento Imobiliário, S.A.	Portugal	69.9	69.9
Interbanco, S.A.	Portugal	–	50.0
Banco ActivoBank (Portugal), S.A.	Portugal	–	100.0
Banco Comercial de Macau, S.A.	China	–	100.0
Banco Internacional de Moçambique, S.A.R.L.	Mozambique	–	66.7
Bank Millennium, S.A.	Poland	50.0	50.0
Banque BCP, S.A.S.	France	100.0	100.0
Banque BCP (Luxembourg), S.A.	Luxembourg	–	100.0
Banque Privée BCP (Suisse) S.A.	Switzerland	–	100.0
BCPBank Canada	Canada	–	100.0
BCPBank National Association	USA	–	100.0
NovaBank, S.A.	Greece	–	100.0
BankEuropa Bankasi, A.S.	Turkey	–	50.0
Millennium bcp – Prestação de Serviços, A. C. E.	Portugal	52.9	96.9
Managerland, S.A.	Spain	50.0	50.0
Seguros e Pensões Gere, S.G.P.S., S.A.	Portugal	89.0	100.0

The Issuer is a finance company whose sole business is raising debt to be on-lent to the Bank and other members of the BCP Group on an arm's length basis. The Issuer is accordingly dependent on the Bank and other members of the BCP Group servicing these loans.

General

There are no arrangements in place, the operation of which may result in a change of control of the Bank.

Save as disclosed in the “*Recent Developments*” section on pages 54-55 of this Offering Circular, the Bank has made no investments since the date of the last published financial statements and the Bank has made no firm commitments on future investments.

Save as disclosed in the “*Recent Developments*” section on pages 54-55 of this Offering Circular, 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.

The authorised and issued share capital of Banco Comercial Português, S.A. is EUR 3,257,400,827 fully paid. Each share is ordinary with a nominal value of EUR 1.00.

MANAGEMENT OF THE BANK

Directors

The Directors of the Bank and their positions held are as follows:

Name	Position(s) held	Company/Institution
Paulo Jorge de Assunção Rodrigues Teixeira Pinto	Chairman of the Board of Directors	Banco Comercial Português, S.A.
	Chairman of the Board of Directors	Fundação Millennium bcp
	Vice-Chairman of the Board on behalf of BCP	Associação Portuguesa de Bancos
	Chairman of the Board of Directors	Millennium bcp – Prestação de Serviços, ACE
	Chairman of the Board of Directors	Banco Millennium bcp Investimento, S.A.
	Chairman of the Board of Directors	Banco de Investimento Imobiliário, S.A.
	Chairman of the Board of Directors	Interbanco, S.A.
	Chairman of the Board of Directors	Banco ActivoBank (Portugal), S.A.
	Chairman of the Board of Directors	Banco Comercial de Macau, S.A.
	Member of the Supervisory Board	Bank Millennium, S.A.
Filipe de Jesus Pinhal	Manager	BCP Participações Financeiras, SGPS, Sociedade Unipessoal, Lda.
	Manager	BCP Internacional II, Sociedade Unipessoal, SGPS, Lda.
	Chairman of the Board of Directors	Seguros e Pensões Gere, SGPS, S.A.
	Vice-Chairman of the Board of Directors	Banco Comercial Português, S.A.
	Vice-Chairman of the Board of Directors	Banco de Investimento Imobiliário, S.A.
	Chairman of Conseil de Surveillance	Banque BCP, S.A.S.
	Member of the Board of Directors	Millennium bcp – Prestação de Serviços, ACE
	Vice-Chairman of the Board of Directors	Fundação Millennium bcp
	Manager	BCP Participações Financeiras, SGPS, Sociedade Unipessoal, Lda.
	Manager	BCP Internacional II, Sociedade Unipessoal, SGPS, Lda.
Christopher de Beck	Manager	BII Internacional, SGPS, Lda.
	Vice-Chairman of the Board of Directors	Banco Comercial Português, S.A.
	Vice-Chairman of the Board of Directors	Banco Millennium bcp Investimento, S.A.
	Member of Supervisory Board	Bank Millennium, S.A.
	Member of the Board of Directors	NovaBank, S.A.
	Member of the Board of Directors	Millennium bcp – Prestação de Serviços, ACE
	Vice-Chairman of the Board of Directors	Fundação Millennium bcp
	Manager	BCP Participações Financeiras, SGPS, Sociedade Unipessoal, Lda.
	Manager	BCP Internacional II. Sociedade Unipessoal. SGPS, Lda.
	Vice-Chairman of Supervisory Board	Banque BCP, S.A.S.

Name	Position(s) held	Company/Institution
António Manuel de Seabra e Melo Rodrigues	Member of the Board of Directors	Banco Comercial Português, S.A.
	Member of the Board of Directors	Banco ActivoBank (Portugal), S.A.
	Vice-Chairman of the Board of Directors	Millennium bcp - Prestação de Serviços, ACE
	Member of the Board of Directors	Fundação Millennium bcp
	Manager	BCP Participações Financeiras, SGPS, Sociedade Unipessoal, Lda.
	Manager	BCP Internacional II, Sociedade Unipessoal, SGPS, Lda.
António Manuel Pereira Caldas de Castro Henriques	Member of the Board of Directors	Banco Comercial Português, S.A.
	Member of the Board of Directors	Banco ActivoBank (Portugal), S.A.
	Chairman of the Board of Directors	Banque Privée BCP (Suisse), S.A.
	Member of the Board of Directors	Banco Comercial de Macau, S.A.
	Vice-Chairman of the Board of Directors	Millennium bcp Fortis Grupo Segurador, SGPS, S.A.
	Vice-Chairman of the Board of Directors	Médis – Companhia Portuguesa de Seguros de Saúde, S.A.
	Vice-Chairman of the Board of Directors	Ocidental – Companhia Portuguesa de Seguros, S.A.
	Vice-Chairman of the Board of Directors	Pensõesgere-Sociedade Gestora de Fundos de Pensões, S A
	Vice-Chairman of the Board of Directors	Ocidental – Companhia Portuguesa de Seguros de Vida, S.A.
	Vice-Chairman of the Board of Directors	Seguros e Pensões Gere, SGPS, S.A.
	Member of the Board of Directors	Millennium bcp - Prestação de Serviços, ACE
	Member of the Board of Directors	Fundação Millennium bcp
	Manager	BCP Participações Financeiras, SGPS, Sociedade Unipessoal, Lda.
	Manager	BCP Internacional II. Sociedade Unipessoal, SGPS, Lda.
	Member of the Board of Directors	bcp holdings (usa), inc.
	Member of the Board	Associação Portuguesa para o Desenvolvimento Económico e a Cooperação

Name	Position(s) held	Company/Institution
Alípio Barrosa Pereira Dias	Member of the Board of Directors Member of the Board of Directors Manager Member of the Board of Directors Member of the Board of Directors Chairman of the Board of Directors Chairman of Supervisory Board Chairman of Supervisory Board Member of the Board Manager Manager "Curador" "Curador" Vogal da Junta Directiva Chairman of Supervisory Board Chairman of "Assembleia Distrital" Chairman of Supervisory Board "Curador" Member of the Board	Banco Comercial Português, S.A. Banco Millennium bcp Investimento, S.A. VSC – Aluguer de Veículos sem Condutor, Lda. Millennium bcp - Prestação de Serviços, ACE Fundação Millennium bcp CVP – Sociedade de Gestão Hospitalar, S.A. Fundação Oriente Associação dos Oficiais da Reserva Naval Fundação Portuguesa de Cardiologia BCP Participações Financeiras, SGPS, Sociedade Unipessoal, Lda. BCP Internacional II, Sociedade Unipessoal, SGPS, Lda. Fundação Cidade de Lisboa Fundação O Século Casa de Bragança Escola de Gestão da Universidade do Porto PSD Porto Associação dos Ex-Deputados Fundação Manuel Cargaleiro Associação Fiscal Portuguesa
Alexandre Alberto Bastos Gomes	Member of the Board of Directors Member of the Board of Directors Member of the Board of Directors Manager Member of the Board of Directors Member of the Board of Directors Member of the Board of Directors Member of the Board of Directors Member of the Board of Directors Manager Manager	Banco Comercial Português, S.A. Interbanco, S.A. Banco ActivoBank (Portugal), S.A. VSC – Aluguer de Veículos sem Condutor, Lda. Millennium bcp – Prestação de Serviços, ACE Seguros e Pensões Gere, SGPS, S.A. SIBS - Sociedade Interbancária de Serviços, S.A. Fundação Millennium bcp BCP Participações Financeiras, SGPS, Sociedade Unipessoal, Lda. BCP Internacional II, Sociedade Unipessoal, SGPS, Lda.
Francisco José Queiroz de Barros de Lacerda	Member of the Board of Directors Member of the Board of Directors Member of the Supervisory Board Vice-Chairman of the Board of Directors Vice-Chairman of the Board of Directors Member of the Board of Directors Member of the Board of Directors Manager Manager Member of the "Conseil de Surveillance"	Banco Comercial Português, S.A. Banco Millennium bcp Investimento, S.A. Bank Millennium, S.A. NovaBank, S.A. BankEuropa Bankasi, A.S. Millennium bcp – Prestação de Serviços, ACE Fundação Millennium bcp BCP Participações Financeiras, SGPS, Sociedade Unipessoal, Lda. BCP Internacional II, Sociedade Unipessoal, SGPS, Lda. Banque BCP, S.A.S.

Name	Position(s) held	Company/Institution
Boguslaw Jerzy Kott	Member of the Board of Directors	Banco Comercial Português, S.A.
	Chairman of Management Board and CEO	Bank Millennium, S.A.
	Chairman of Supervisory Board	Millennium Dom Maklerski S.A.
	Chairman of Supervisory Board	BIG-BG Inwestycje
	Member of Supervisory Board	Powszechny Zakład Ubezpieczeń PZU S.A.
	Chairman of Supervisory Board	Bel Leasing Sp. z o.o.
	Member of the Board of Directors	Fundação Millennium bcp
	Manager	BCP Participações Financeiras, SGPS, Sociedade Unipessoal, Lda.
	Manager	BCP Internacional II, Sociedade Unipessoal, SGPS, Lda.
	Member of the Board of Directors	bcp holdings (usa), inc.

The business address for each of the Directors is Rua Augusta, N° 84, 4º, 1149-023 Lisboa, Portugal.

Other than as disclosed above, no Director of the Bank has any activities outside the Bank, which are significant with respect to the Bank.

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

The Bank complies with general provisions of Portuguese law on corporate governance.

Audit Committee

The Bank's Audit, Security and Anti Money Laundering (ALM) Committee comprises ten members, including the Chairman. Five of its members are members of the Board of Directors: Paulo Teixeira Pinto (Chairman), António Rodrigues, Alípio Dias, Alexandre Bastos Gomes and Francisco Lacerda. The Bank's Audit, Security and Anti Money Laundering (ALM) Committee also comprises representatives for certain areas, namely Member Responsible for the Audit (Secretary), Member Responsible for Physical Security, Member Responsible for Logical Systems Security, Compliance Officer and Member Responsible for Servitrust.

The Audit, Security and ALM Committee is required to define the strategic orientations and decide the more relevant aspects of the internal audit, physical and logical systems security and anti money laundering functions.

To carry out these duties, the Audit, Security and ALM Committee has to coordinate, centralise information and follow the execution of the policies and measures taken, with the support of the existing specialised structures. The Audit, Security and ALM Committee also has to answer, for its initiative or by request of the Board of Directors, or of the relative Chairman, any questions that are in its scope-of-action.

The Audit, Security and ALM Committee regularly reports to the Board of Directors and the Board of Auditors on all subjects, either by submitting minutes of its meetings, or by answering direct queries.

Impacts of IFRS transitional adjustments and recent operations on the Bank's solvency

The application of IFRS altered the accounting policies previously applied by the Bank to its financial statements, and in particular to the items determining the amount of the Bank's own funds to be considered in the calculations of the Bank's solvency ratio.

According to the Solvency Ratio Regulation (Regulation no. 1/93, as amended) of the Bank of Portugal, elements of these impacts can be linearly deferred over a three to seven year period, depending on their nature. In addition, general provisions for loan losses, regardless of their elimination with the introduction of IFRS, are now considered as a positive contributor for Tier II capital, with a threshold of 1.25 per cent. of risk-weighted assets.

In the BCP Group, these changes led to an increase in own funds and risk-weighted assets in the first half of 2005. As a consequence, the total solvency ratio improved from 11.9 per cent. as at 31 December 2004 to 12.8 per cent. at the end of June 2005.

	<i>31 December 2004</i>	<i>30 June 2005</i>
	<i>(Millions of euro)</i>	
	<i>(Portuguese GAAP)</i>	<i>(IFRS)</i>
Total regulatory capital		
Tier I		
Core	3,053	2,781
Preference shares	1,192	1,091
	<hr/> 4,245	<hr/> 3,872
Tier II and deductions	2,005	2,981
	<hr/> 6,250	<hr/> 6,852
Risk-weighted assets	<u>52,711</u>	<u>53,450</u>
Solvency ratio (BoP)		
Core Tier I	5.8%	5.2%
Preference shares	2.3%	2.0%
	<hr/> 8.1%	<hr/> 7.2%
Tier I	8.1%	7.2%
Tier II	3.8%	5.6%
	<hr/> 11.9%	<hr/> 12.8%
Total capital	<u>11.9%</u>	<u>12.8%</u>

The increase in tier II capital determined the increase in its own funds, influenced by the general provisions for loan losses and by lower deductions. The transition to IFRS had a negative impact on the BCP Group's tier I capital. This was partially offset, however, by the Bank of Portugal's policy allowing the impacts to be deferred.

In the first half of 2005, this resulted in a decrease of the Bank's core capital amounting to euro 170 million, of which euro 108 million from adjustments was totally absorbed at transition, mostly as a result of higher impairment in the loan portfolio compared to the provisions for loan losses booked in compliance with Portuguese GAAP. The remaining euro 61 million corresponds to the part of deferred impacts considered in that semester.

These deferred impacts are associated with additional responsibilities for health benefits of pensioners (over seven years), with other responsibilities related to the BCP Groups' pension fund (over five years), and

with the change of the valuation criteria for financial instruments (excluding loans) and the recognition of deferred taxes (over three years). In the first half of 2005, the unfavourable impact on the BCP Group's core capital (euro 61 million) was offset by the increase and retention of net income in the period (euro 197 million).

Furthermore, important changes took place in the first half of 2005, with significant impacts on the consolidated solvency ratio, in particular in core tier 1, including:

- a) acquisition of the remaining 50 per cent. of NovaBank and respective joint control rights, implying a reduction in tier I capital amounting to euro 360 million;
- b) transfer of control of "Crédilar", a unit specialised in point-of-sale consumer credit, and shareholdings in Friends Provident and EDP. The gains on the sales were allocated to a non-recurrent provision for specific cases. The favourable impact of these operations on the core tier 1 ratio resulted from the reduction in risk weighted assets amounting to euro 550 million; and
- c) launch of a euro 1,500 million issue of residential mortgage backed securities (RMBS), named "Magellan Mortgages N° 3, Plc.", led to the reduction in risk-weighted assets amounting to euro 800 million.

SELECTED CONSOLIDATED FINANCIAL INFORMATION RELATING TO THE BANK

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, 31 December 2003 and 31 December 2004 and includes the unaudited consolidated financial statements of the Bank as at, and for the six month periods ended 30 June 2004 and 30 June 2005. The information as at, and for the years ended, 31 December 2003 and 31 December 2004 should be read in conjunction with, and is qualified in its entirety by reference to, the Bank's annual reports and audited consolidated financial statements as at, and for the years ended, 31 December 2003 and 31 December 2004 incorporated by reference in this Offering Circular.

Consolidated Balance Sheet as at 31 December 2003 and 2004

	31 December 2004	2003
	(Thousands of euro)	
Assets		
Cash and deposits at central banks	1,724,360	1,510,355
Loans and advances to credit institutions		
Repayable on demand	793,329	967,489
Other loans and advances	5,005,694	3,435,448
Loans and advances to customers	50,792,704	49,176,508
Securities	4,649,903	4,186,566
Treasury stock	—	2,742
Investments	2,830,250	2,538,550
Intangible assets	112,646	154,048
Tangible assets	971,622	1,129,018
Other debtors	1,704,183	1,217,112
Prepayments and accrued income	3,093,804	3,370,148
	<u>71,678,495</u>	<u>67,687,984</u>
Liabilities		
Amounts owed to credit institutions		
Repayable on demand	180,398	173,092
With agreed maturity date	9,881,658	11,187,389
Amounts owed to customers		
Repayable on demand	13,496,543	12,668,775
With agreed maturity date	20,111,667	17,955,203
Debt securities	15,756,353	13,894,663
Other liabilities	686,304	581,813
Accruals and deferred income	2,187,315	2,742,738
Provision for liabilities and charges	1,112,828	1,016,382
Subordinated debt	3,074,888	3,123,258
Total Liabilities	<u>66,487,954</u>	<u>63,343,313</u>

	<i>31 December</i>	
	<i>2004</i>	<i>2003</i>
	<i>(Thousands of euro)</i>	
<i>Shareholders' Equity</i>		
Share capital	3,257,401	3,257,401
Share premium	674,435	674,435
Reserves and retained earnings.....	(326,561)	(1,080,628)
Total Shareholders' Equity	<u>3,605,275</u>	<u>2,851,208</u>
Minority interests	1,585,266	1,493,463
	<u>71,678,495</u>	<u>67,687,984</u>

Consolidated Statement of Income for the years ended 31 December 2003 and 2004

	31 December	
	2004	2003
	(Thousands of euro)	
Interest income	2,925,630	3,056,494
Interest expense.....	1,509,424	1,590,483
Net interest income	1,416,206	1,466,011
Provision for loan losses	430,412	473,044
Net interest income after provision for loan losses	985,794	992,967
Other operating income		
Income from securities	98,642	128,257
Net commissions	646,466	590,480
Net Income arising from trading activity	219,065	129,269
Other operating income.....	537,809	545,373
Gains on sales of shares of subsidiaries and associated companies.....	84,096	–
	1,586,078	1,393,379
Other operating expenses		
Staff costs	852,520	864,032
Other administrative costs.....	583,598	601,418
Depreciation	233,945	203,056
Other provisions	64,865	33,597
Other operating expenses	175,666	148,704
	1,910,594	1,850,807
Income before income taxes	661,278	535,539
Income taxes	60,443	37,883
Income after income taxes	600,835	497,656
Minority interests	87,833	60,002
Net income for the year attributable to the Bank	513,002	437,654

Unaudited Consolidated Balance Sheet as at 30 June 2005 and 2004

	30 June	
	2005	2004
	(Thousands of euro)	
Assets		
Cash and deposit at central banks	1,346,019	1,352,400
Loans and advances to credit institutions		
Repayable on demand	1,024,027	938,234
Other loans and advances	5,312,304	2,676,722
Loans and advances to customers	52,464,648	50,200,521
Financial assets held for trading	2,171,550	1,287,258
Financial assets available for sale	4,627,271	4,807,449
Hedging derivatives	533,695	4,501
Investments in associated companies	262,650	37,130
Non current assets held for sale	–	10,005,378
Other tangible assets	920,678	960,661
Intangible assets	347,865	101,413
Current tax assets	15,466	25,259
Deferred tax assets	566,271	527,559
Other assets	5,000,140	5,409,540
	<u>74,592,584</u>	<u>78,334,025</u>
Liabilities		
Amounts owed to central banks	70,798	314,360
Amounts owed to other credit institutions	9,824,171	9,998,757
Amounts owed to customers	33,995,749	31,561,864
Debt securities	18,704,453	15,880,744
Financial liabilities held for trading	574,609	11,488
Hedging derivatives	375,361	28,613
Non current liabilities held for sale	–	9,376,937
Provisions	346,525	359,186
Subordinated debt	3,753,712	3,777,644
Current tax liabilities	2,759	3,400
Deferred tax liabilities	92,147	36,317
Other liabilities	3,067,174	3,609,577
Total Liabilities	<u>70,807,458</u>	<u>74,958,887</u>
Shareholders' Equity		
Share capital	3,257,401	3,257,401
Treasury stock	(37,137)	(56,600)
Share premium	674,435	674,435
Preference shares	500,000	500,000
Other capital instruments	528,207	528,207
Fair value reserves	402,728	382,747
Reserves and retained earnings	(2,168,778)	(2,555,767)
Net attributable income to Bank Shareholders	302,877	296,909
	<u>3,459,733</u>	<u>3,027,332</u>
Minority interests	325,393	347,806
Total Equity	<u>3,785,126</u>	<u>3,375,138</u>
	<u>74,592,584</u>	<u>78,334,025</u>

Unaudited Consolidated Statement of Income for the six months ended 30 June 2005 and 2004

	30 June	
	2005	2004
	(Thousands of euro)	
Interest income	1,642,578	1,471,695
Interest expense.....	(911,270)	(832,102)
Income from capital instruments	53,945	28,851
Net interest income	785,253	668,444
Net commissions income	313,490	302,710
Net income arising from trading activity	124,974	224,560
Other net income from banking activity.....	58,663	91,582
Operating income from banking activity	1,282,380	1,287,296
Other net income from non banking activity	833	–
Total operating income	1,283,213	1,287,296
Staff costs	466,104	481,198
Other administrative costs.....	279,475	294,553
Depreciation	69,598	83,752
Operating Costs.....	815,177	859,503
Operating profit.....	468,036	427,793
Loans impairment net of reversals and recoveries	(117,227)	(97,181)
Other assets impairment net of reversals and recoveries	(2,388)	(4,620)
Other net provisions	(21,129)	(28,258)
Group equity accounted earnings	17,951	39,807
Net income from the sale of others assets	47,690	(4,825)
Income before tax	392,933	332,716
Income taxes		
Current	(20,448)	(20,275)
Deferred	(47,554)	(2,370)
Income after tax	324,931	310,071
Consolidated net income attributable to:		
Shareholders	302,877	296,909
Minority interests	22,054	13,162
Net income	324,931	310,071

IFRS TRANSITIONAL ADJUSTMENTS

The application of IFRS, starting from 1 January 2005, requires transitional adjustments resulting from the change to the new accounting rules. Equity and net income for the year ended 31 December 2004, previously released according to the local GAAP, were adjusted to comply with the IFRS.

Net income 2004 (local GAAP)

	<i>Total Earning Adjustments</i>	<i>Recurrent</i>	<i>Non Recurrent</i>
		(euro million)	
Net income 2004 (local GAAP)	513		-
IFRS Adjustments			
Loan portfolio impairment	24	24	-
Valuation of investments	(42)	-	(42)
Effective interest rate	(9)	(9)	-
Hedge accounting	(77)	-	(77)
Intangible assets	(9)	(9)	-
Bonus and variable remuneration	(64)	(24)	(40)
Preference shares	16	16	-
Deferred tax assets	21	21	-
Other adjustments	(4)	(4)	-
Sale of insurance activity	366	-	366
Sale of 4.08% share in Sabadell	85	-	85
Retirement pensions and other post retirement benefits	(214)	19	(233)
Total IFRS Adjustments	<u>93</u>	<u>34</u>	<u>59</u>
Net income 2004 (IFRS)	<u><u>606</u></u>		

Impact of IFRS on equity and reserves

	<i>31 December 2004</i>	<i>1 January 2004</i>
	(euro million)	
Shareholders' equity local GAAP (Including Minority Interests)	4,001	3,186
IFRS Adjustments		
Retirement pensions and other post retirement benefits	(505)	(290)
Loan portfolio impairment (DCF)	(141)	(165)
Valuation of Investments	(277)	(259)
Effective interest rate	(16)	(6)
Hedge accounting	(41)	37
Intangible assets	(53)	(45)
Consolidation of own shares	(54)	(57)
Interim dividends	(98)	-
Bonus and variable remuneration	(115)	(66)
Other adjustments	(39)	(24)
Deferred tax assets	413	404
Preference shares	500	-
	<u>426</u>	<u>(471)</u>
Shareholders' equity IFRS (Including Minority Interests)	<u><u>3,575</u></u>	<u><u>2,715</u></u>

In addition to the information released in Millennium bcp's 2004 annual report, the next section explains the impacts of the adjustments produced.

Pension plans and other employees' benefits

The adoption of IFRS results in the recognition of the additional responsibilities from health benefits of retired and working personnel, benefits related with death before retirement and deferred restructuring costs arising from early retirements. The BCP Group decided to recalculate the actuarial calculations from the date of the set-up of the Pension Fund. This resulted in an increase of deferred actuarial differences and shareholders' equity. In the future, all actuarial gains and losses in excess of 10 per cent. of the value of liabilities (the corridor) will be amortised for the remaining average working life of the employees of 20 years (previously: 10 years). On an ongoing basis, the extended amortisation period of the actuarial losses will lead to a decrease in annual charges to the profit and loss account.

Variable compensation

Bonuses and other variable compensation are recognised as a cost of the year to which they relate (previously: recognised in the year of payment). Costs associated with employees' stock option plans are recognised over the period between the grant date and the date of exercise of the option. The impact for the Bank is not material.

Fair value of financial assets

The financial investments in companies that the Bank does not control nor have significant influence on are classified as "available for sale" and valued at fair value (either market prices or independent valuation for non-listed holdings). The differences arising from fair value were charged against reserves. A negative impact was recorded on EDP, ONI, INTESA and Friends Provident investments and a positive impact on Eureko and Sabadell investments.

Credit impairment

The method used by the Bank to assess the economic risk of its credit portfolio is not materially different from that of IAS 39. However, the introduction of the discounted cash flow (DCF) method to determine the present value of future cash flows resulted in an increase of the impairment charge against transition reserves.

Effective interest rate / Accrual of commissions

The calculation of the effective interest rate should include the contractual interest rate as well as eligible costs and income related with the underlying operations. The impacts are relatively small and relate to investment banking lending operations, mortgage and current accounts fees.

Derecognition of assets and consolidation of SPEs

Under IFRS, the Bank consolidates Special Purpose Entities (SPE) on which it exercises control or has maintained substantially the risks and rewards. This resulted in an increase of Assets and Liabilities.

Consolidation of own shares

In the case of credit impairment collateralised with Bank shares, such shares were considered as treasury stock and deducted from equity at the transition date.

Gains on sale of financial investments

Gains / losses on sale of subsidiaries are recognised as profit of the year (previously: booked on reserves up to the value of goodwill). In 2004, the Bank sold 100 per cent. of non-bancassurance activities and 51 per cent. of bancassurance and 4.08 per cent. of Banco Sabadell, which generated positive adjustments in results.

Deferred Taxes

Deferred tax assets are recognised as an asset, based on reasonable expectation of taxable future profits (previously: deferred taxes were not recognised). On an ongoing basis, income taxes will include the amortisation of deferred tax assets.

Hedge accounting

Hedge accounting is only applicable if the hedge is expected to be highly effective at inception and throughout the life of the underlying financial instrument. Hedge effectiveness has to be measured on an ongoing basis. The non-effective part is recorded in Net Income. The impact in Net Income for 2004 was mainly related to the application of fair value of financial instruments, which were not classified as fair value hedges. From 1 January 2005, the Bank has adopted prospectively the fair value hedge requirements, therefore no material impact is expected in Net Income on an ongoing basis.

Interim Dividends

The interim dividends are deducted from equity in the year in which they are declared.

Preference shares

Preference shares with no mandatory repayment clause (either cash or in other financial assets), and for which dividends are set discretionarily and are non-cumulative, are classified as capital. This item has a positive impact in Shareholders' equity and Net Income.

DESCRIPTION OF THE ISSUER

History

The Issuer is a company registered in the Cayman Islands as an exempted company under the Companies Law (as revised). The Issuer was incorporated in George Town, Cayman Islands (with registered number CR-63276) on 29 December 1995 for an unlimited duration and with limited liability.

The registered office of the Issuer is Banco Comercial Português S.A., Cayman Island Branch, 3rd Floor, Strathvale House, 90 North Church Street, P.O. Box 30124 SMB, George Town, Grand Cayman, Cayman Islands with telephone number: + 00 13459498322.

Business

The Issuer is wholly owned by BCP Internacional II, Sociedade Unipessoal, SGPS, Lda, which is directly and wholly owned by the Bank. The Issuer acts as an overseas finance vehicle of the Bank. The objects for which the Issuer was established are, pursuant to Clause 3 of its Memorandum of Association, *inter alia*, to carry on the business of a finance and investment company. As at 31 December 2004, the Issuer had no employees.

Share Capital

- (a) The existing issued ordinary shares of the Issuer are not listed on the London Stock Exchange or on any other stock exchange and are not dealt in on any other recognised market.
- (b) The capital of the Issuer is the aggregate of (a) US\$25,000 divided into 25,000 Ordinary Shares of a nominal or par value of US\$1.00 each, (b) EUR 27,000,000 divided into 27,000,000 Ordinary Shares of a nominal or par value of EUR 1.00 each, each held by BCP Internacional II, Sociedade Unipessoal SGPS, Lda; and (c) EUR 1,600,000,000, comprising (i) EUR 600,000,000 divided into 6,000,000 Series B Floating Rate Non-Cumulative Guaranteed Non-Voting Preference Shares of a nominal or par value of EUR 100.00 each, (ii) EUR 500,000,000 divided into 5,000,000 Series C Perpetual Non-cumulative Guaranteed Non-voting Step-Up Preference Shares of a nominal or par value of EUR 100.00 each, and (iii) EUR 500,000,000 divided into 10,000 Series D Perpetual Non-cumulative Guaranteed Non-voting Preference Shares of a nominal or par value of EUR 50,000.00 each all of which will be issued and fully paid on or about 13 October 2005 upon the issue of the Series D Preference Shares, having the respective rights set forth in the Issuer's Articles of Association.
- (c) The holders of the ordinary shares in the Issuer have no rights of pre-emption or preferential subscription rights in respect of the Series D Preference Shares.
- (d) No capital of the Issuer is under option or is agreed conditionally or unconditionally to be put under option.

General

There are no arrangements in place, the operation of which may result in a change of control of the BCP Finance Company.

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

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

BCP Finance Company's objects include, but are not limited to, the following: to carry on in any part of the world business as capitalists, financiers, promoters, concessionaires and merchants; to undertake and carry on all kinds of financial, investment, commercial, manufacturing and other operations; to acquire, invest in, sell and deal in securities, to borrow or raise money in any currency with or without security and to secure or discharge any debt or obligation of or binding on BCP Finance Company in any manner; to advance, deposit or lend money, securities and/or property; to buy, sell, broke and deal in foreign exchange; to enter into currency and/or interest rate and any other type of swap agreements; and to subscribe for or underwrite, issue on commission or otherwise, take, hold, deal in and convert securities of all kinds.

Directors and other interests

- (a) The Directors of the Issuer and their principal activities outside the Issuer are as follows:

Name	Function in the Issuer	Principal activity outside Issuer
Luís Manuel Neto Gomes	Chairman, Director and Chief Executive Officer	General Manager of BCP
António Fernando Nogueira Chaves	Vice-Chairman and Director	Deputy General Manager of BCP
Maria Helena Braga Soares Carneiro Paolini	Director	General Manager of BCP – Cayman Island Branch
José Carlos de Castro Monteiro	Director	Senior Private Banker – Cayman Islands Branch
Alex Antonio Urtubia	Director	EDP Manager of BCP – Cayman Islands Branch

Mr. António Nogueira Chaves is the Secretary of the Issuer and Mr. José Carlos de Castro Monteiro the Assistant Secretary.

The business addresses of the Directors are (i) in the case of Luís Manuel Neto Gomes and António Fernando Nogueira Chaves, Rua Augusta, N° 84, 3°, 1149-023 Lisboa, Portugal, and (ii) in the case of Maria Helena Braga Soares Carneiro Paolini, José Carlos de Castro Monteiro and Alex Antonio Urtubia, Strathvale House, 3rd Floor, 90 North Church Street, George Town, P.O. Box 30124 SMB, Grand Cayman, Cayman Islands, B.W.I.

- (b) The Directors do not, and it is not proposed that they will, have service contracts with the Issuer. No Director has entered into any transaction on behalf of the Issuer which is or was unusual in its nature or conditions or is or was significant to the business of the Issuer since its incorporation. No Director or any connected person has any interest, whether or not held by a third party, in the share capital of the Issuer. As at the date of this Offering Circular, there were no loans granted or guarantees provided by the Issuer to any Director of the Issuer.
- (c) As at the date of this Offering Circular, the Directors have not received, and nor is it intended that they should in the future receive, any remuneration for the provision of their services to the Issuer.
- (d) No Director of the Issuer may vote on any proposal, arrangement or contract in which he is materially interested otherwise than by virtue of his interests in shares or debentures or other securities of or otherwise in or through the Issuer.

The Directors may exercise all the powers of the Issuer to borrow money and to mortgage or charge its undertaking, property and uncalled capital, or any part thereof, to issue debentures, debenture stock and other securities whether outright or as security for any debt, liability or obligation of the Issuer or any third party.

Subject to the provisions of the Issuer's Articles of Association, a Director shall hold office until such time as he is removed from the office by an ordinary resolution of the Issuer in general meeting. The Articles of Association of the Issuer provide that the Issuer may indemnify the Directors of the Issuer against certain liabilities incurred by an act or omission as Directors subject to certain limitations.

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

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

The Issuer complies with general provisions of Cayman Islands law on corporate governance.

The Issuer has no audit committee.

SELECTED FINANCIAL INFORMATION RELATING TO THE ISSUER

The financial information set out below has been derived from the audited financial statements of the Issuer at 31 December 2004. Such information should be read in conjunction with, and is qualified in its entirety by reference to, the Issuer's audited financial statements and the related notes thereto set out in full on pages F-1 to F-27 in this Offering Circular.

Balance Sheet of the Issuer as at 31 December 2003 and 2004

	<i>(Amounts expressed in thousands of USD)</i>	
	<u>2004</u>	<u>2003</u>
<i>Assets</i>		
Cash and cash equivalents	1	1
Loans and advances to credit institutions	644	2,569
Investments	1,629,589	1,381,867
Other assets	26,689	1,825
Total Assets	<u>1,656,923</u>	<u>1,386,262</u>
<i>Liabilities</i>		
Other liabilities	21,663	1,745
Total Liabilities	<u>21,663</u>	<u>1,745</u>
<i>Shareholders' Equity</i>		
Share capital		
Ordinary shares	36,778	31,576
Preference shares	1,498,310	1,263,000
Revaluation reserve	131,252	118,842
Accumulated deficit	(31,080)	(28,901)
Total Shareholder's Equity	<u>1,635,260</u>	<u>1,384,517</u>
	<u>1,656,923</u>	<u>1,386,262</u>

Statements of Income and Retained Earnings of the Issuer as at 31 December 2003 and 2004

		<i>(Amounts expressed in thousands of USD)</i>	
		<u>2004</u>	<u>2003</u>
Interest income		63,155	57,938
Interest expense.....		3	226
Net interest income		<u>63,152</u>	<u>57,712</u>
<i>Operating income</i>			
Dividends received		<u>2</u>	<u>1</u>
		<u>2</u>	<u>1</u>
<i>Operating expenses</i>			
Other expenses		<u>61</u>	<u>33</u>
		<u>61</u>	<u>33</u>
Net income for the year		<u>63,093</u>	<u>57,680</u>

TAXATION

The comments below are of a general nature based on current law and practice in each jurisdiction referred to. They relate only to the position of persons who are the owners of their Series D Preference Shares and may not apply to certain classes of persons such as dealers. Any holders who are in doubt as to their personal tax position should consult their professional advisers.

Taxation in the Cayman islands

Under current Cayman Islands law, there are no taxes on income or gains that would apply to the profits of the Issuer nor would any such taxes apply on dividends, redemption or liquidation payments by the Issuer to any Holder of the Series D Preference Shares. Under current Cayman Islands law, distributions made by the Issuer will not be subject to withholding tax in the Cayman Islands.

As an exempted company, the Issuer has obtained an undertaking from the Governor-in-Council of the Cayman Islands pursuant to the provisions of the Tax Concessions Law (1999 Revision) that for a period of twenty years from the date of exemption no law enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains shall apply to it or its operations, and that any such tax or any tax in the nature of estate, duty or inheritance tax shall not be payable on the shares, debentures or other obligations of the Issuer.

The Cayman Islands currently imposes stamp duty on certain categories of documents; however the contemplated operations of the Issuer do not involve the payment of stamp duties in any material amount.

The Cayman Islands currently imposes annual fees on all exempt companies. At current rates the Issuer expects to pay an annual fee as an exempt company of under US\$5,000 per annum.

Taxation in Portugal

Under current Portuguese law, payments made by the Bank, acting through its international Madeira branch ("*Sucursal Financeira Internacional*") under the Subordinated Guarantee to a holder of a Series D Preference Share who is an individual non-resident in Portugal for tax purposes or a legal person non-resident and without a permanent establishment in Portugal to which income is attributable, will not be subject to any Portuguese income, capital transfer, wealth, estate, gift, inheritance or other tax or duty. Shareholders should present proof of their non-resident status in Portugal before the Bank under the terms of number 14 of article 33 of the Tax Incentives Statue ("*Estatuto dos Benefícios Fiscais*") to benefit from such exemption.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have agreed to adopt similar measures (a withholding system in the case of Switzerland) with effect from the same date.

SUBSCRIPTION AND SALE

J.P. Morgan Securities Ltd., Merrill Lynch International and Banco Millennium bcp Investimento, S.A. (the “**Managers**”) have, pursuant to a Subscription Agreement (the “**Subscription Agreement**”) dated 12 October 2005, jointly and severally agreed to subscribe or procure subscribers for the Series D Preference Shares at the issue price of €50,000.00 per Series D Preference Share, less a combined management, underwriting and selling commission. The Issuer will also reimburse the Managers in respect of certain of their expenses, and has agreed to indemnify the Managers against certain liabilities, incurred in connection with the issue of the Series D Preference Shares. The Subscription Agreement may be terminated in certain circumstances prior to payment of the Issuer. The expenses related to the admission of the Series D Preference Shares to trading on the London Stock Exchange’s Gilt Edged and Fixed Interest Market are estimated to be approximately €498,000.

United States

The Series D Preference Shares 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.

Each Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Series D Preference Shares (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date within the United States or to, or for the account or benefit of, U.S. persons and that it will have sent to each dealer to which it sells any Series D Preference Shares during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Series D Preference Shares 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.

In addition, until 40 days after the commencement of the offering, an offer or sale of Series D Preference Shares within the United States by any dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**), each Manager has represented and agreed 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 the Series D Preference Shares 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 the Series D Preference Shares to the public in that Relevant Member State:

- (a) in (or in Germany, where the offer starts within) the period beginning on the date of publication of a prospectus in relation to the Series D Preference Shares 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, all in accordance with the Prospectus Directive and ending on the date which is 12 months after the date of such publication;
- (b) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;

- (c) at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or
- (d) at any time in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer of the Series D Preference Shares to the public” in relation to any Series D Preference Shares 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 Series D Preference Shares to be offered so as to enable an investor to decide to purchase or subscribe the Series D Preference Shares, 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 includes any relevant implementing measure in each Relevant Member State.

United Kingdom

Each Manager has represented and agreed that, except as permitted by the Subscription Agreement:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the “FSMA”)) received by it in connection with the issue of the Series D Preference Shares in circumstances in which Section 21(1) of the FSMA does not or, in the case of the Bank, would not, if it were not an authorised person, apply to the Issuer or the Bank; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Series D Preference Shares in, from or otherwise involving the United Kingdom.

Portugal

Each Manager has represented and agreed that the Offering Circular has not been and will not be registered with the Portuguese Securities Exchange Commission (“*Comissão do Mercado de Valores Mobiliários*”) and therefore the Series D Preference Shares 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. In addition no offering materials have been or will be publicly distributed in Portugal and no publicity or marketing activities related to the Series D Preference Shares have been or will be conducted in Portugal.

Cayman Islands

Each Manager has represented and agreed that no invitation will be made to the public in the Cayman Islands to subscribe for or purchase any Series D Preference Shares, whether directly or indirectly.

The Issuer does not represent that it is carrying on or attempting to carry on business in or from the Cayman Islands as a mutual fund as defined by the Mutual Funds Law (2003 Revision).

France

Each Manager has represented and agreed that it has not offered or sold, and will not offer or sell, directly or indirectly, Series D Preference Shares to the public in France (*appel public à l'épargne*) and has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France

the Offering Circular or any other offering material relating to the Series D Preference Shares and that such offers, sales and distributions have been and shall only be made in France to qualified investors (*investisseurs qualifiés*) acting for their own account, all as defined in, and in accordance with, articles L.411-1 and L.411-2 of the French *Code monétaire et financier* and their implementing *décret*.

General

No action has been taken by the Issuer, the Bank or any of the Managers that would, or is intended to, permit a public offer of the Series D Preference Shares in any country or jurisdiction where any such action for that purpose is required. Accordingly, each Manager has undertaken that it will not, directly or indirectly, offer or sell any Series D Preference Shares or distribute or publish any offering circular, prospectus, form of application, advertisement or other document or information in any country or jurisdiction except under circumstances that will, to the best of its knowledge and belief, result in compliance with any applicable laws and regulations and all offers and sales of Series D Preference Shares by it will be made on the same terms.

GENERAL INFORMATION

Authorisation

The issue of the Series D Preference Shares was duly authorised by a resolution of the Board of Directors of the Issuer dated 11 October 2005 and the giving of the Subordinated Guarantee was duly authorised by a resolution of the Board of Directors of the Bank dated 11 October 2005.

Listing

Application has been made to the UK Listing Authority for the Series D Preference Shares to be admitted to the Official List and to the London Stock Exchange for such Series D Preference Shares to be admitted to trading on the London Stock Exchange's Gilt Edged and Fixed Interest Market.

Clearing Systems

The Series D Preference Shares have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The ISIN for this issue is XS0231958520 and the Common Code is 023195852.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

No significant change

Save as disclosed in the "*Recent Developments*" section on pages 54-55 of this Offering Circular, there has been no significant change in the financial or trading position of the BCP Group since 30 June 2005.

There has been no significant change in the financial or trading position of the Issuer since 31 December 2004.

There has been no material adverse change in the financial position or prospects of the Issuer or the BCP Group since 31 December 2004.

Litigation

None of the Issuer, the Bank and each other member of the BCP Group is involved in any governmental, legal or arbitration proceedings (including any proceedings which are pending or threatened of which the Issuer or the Bank is aware) which may have or have had since the incorporation of the Issuer a significant effect on the financial position or profitability of the Issuer, the Bank or the BCP Group.

Accounts

The auditors of the Issuer are KPMG, PO Box 493, George Town, Grand Cayman, Cayman Islands, British West Indies (having been appointed by a written resolution of the Issuer's Board of Directors on 17 December 1998). KPMG audited the financial statements of the Issuer, without qualification, prepared in accordance with International Accounting Standards for the financial years ended 31 December 2002, 2003 and 2004.

The Issuer currently prepares audited non-consolidated financial statements on an annual basis. The Issuer does not currently prepare any consolidated financial statements or any interim financial statements.

The auditors of the Bank are KPMG, Edificio, Monumental Avenida Praia da Vitória, 71A, 11º 1069-006 Lisbon, Portugal. KPMG audited the financial statements of the Bank, without qualification, prepared in

accordance with generally accepted accounting principles in Portugal for the financial years ended 31 December 2002, 2003 and 2004.

The Bank currently prepares audited consolidated and non-consolidated financial statements on an annual basis and unaudited consolidated and non-consolidated financial statements on a quarterly basis.

Documents

Copies of the following documents will be available from specified office of the Paying and Transfer Agents so long as any of the Series D Preference Shares remains outstanding:

- (a) the Memorandum and Articles of Association of the Issuer and the constitutional documents (including the Articles of Association) of the Bank (with an English translation thereof);
- (b) the non-consolidated audited financial statements of the Issuer in respect of the financial years ended 31 December 2003 and 31 December 2004 and the consolidated audited financial statements of the Bank in respect of the financial years ended 31 December 2003 and 31 December 2004 (with an English translation thereof);
- (c) the most recently published audited annual financial statements of the Issuer and the Bank (when available) and the most recently published unaudited interim financial statements of the Issuer (if any) and the Bank (with an English translation thereof); and
- (d) the Subscription Agreement, the Agency Agreement and the Subordinated Guarantee.

BCP Finance Company

Financial Statements

31 December, 2004 and 2003

(with Auditors' Report thereon)

6 June, 2005



KPMG
PO Box 493GT
Century Yard Building
Grand Cayman, Cayman Islands

Telephone	+1 345 949 4800
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Auditors' Report

To the Shareholders of
BCP Finance Company

We have audited the accompanying balance sheets of BCP Finance Company (the Company), as at 31 December, 2004 and 2003, and the related statements of income and retained earnings, changes in shareholder's equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above give a true and fair view, in all material respects, of the financial position of the Company as at 31 December, 2004 and 2003, and the results of its operations, changes in shareholder's equity and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Chartered Accountants
6 June, 2005

BCP Finance Company

Balance Sheets as at 31 December, 2004 and 2003

(Amounts expressed in thousands of USD)

<i>Assets</i>	<i>Notes</i>	<i>2004</i>	<i>2003</i>
Cash and cash equivalents	2	1	1
Loans and advances to credit institutions		644	2,569
Investments	3	1,629,589	1,381,867
Other assets	4	26,689	1,825
Total Assets		1,656,923	1,386,262
<i>Liabilities</i>			
Other liabilities	5	21,663	1,745
Total Liabilities		21,663	1,745
<i>Shareholder's Equity</i>			
Share capital			
Ordinary shares	6	36,778	31,576
Preference shares	6	1,498,310	1,263,000
Revaluation reserve	7	131,252	118,842
Accumulated deficit		(31,080)	(28,901)
Total Shareholder's Equity		1,635,260	1,384,517
		1,656,923	1,386,262

CHIEF ACCOUNTANT

THE BOARD OF DIRECTORS

See accompanying notes to the financial statements

BCP Finance Company

Statements of Income and Retained Earnings for the years ended 31 December, 2004 and 2003

(Amounts expressed in thousands of USD)

	<u>2004</u>	<u>2003</u>
Interest income	63.155	57.938
Interest expense	3	226
Net interest income	<u>63.152</u>	<u>57.712</u>
Operating income		
Dividends received	<u>2</u>	<u>1</u>
	<u>2</u>	<u>1</u>
Operating expenses		
Other expenses	<u>61</u>	<u>33</u>
	<u>61</u>	<u>33</u>
Net income for the year	<u>63.093</u>	<u>57.680</u>

See accompanying notes to the financial statements

BCP Finance Company

Statements of Cash Flows for the years ended 31 December, 2004 and 2003

	(Amounts expressed in thousands of USD)	
	<u>2004</u>	<u>2003</u>
Cash flows from operating activities		
Interest income and other income received	43.111	57.835
Interest expense and other expense paid	(3)	(226)
Net cash flows from trading activities	-	-
Operating fees and other payments	(4.881)	(33)
(Increase) / Decrease in operating assets		
Loans and advances to credit institutions	1.925	(2.569)
Increase / (Decrease) in operating liabilities		
Amounts owed to credit institutions	-	(41.415)
Other liabilities	(8)	4
	<u>40.144</u>	<u>13.596</u>
Cash flows from investing activities		
Investments	(235.312)	16.974
Dividends received	2	1
	<u>(235.310)</u>	<u>16.975</u>
Cash flows from financing activities		
Proceeds from issuance of share capital	240.512	31.575
Dividends paid	(43.086)	(57.246)
	<u>197.426</u>	<u>(25.671)</u>
Exchange differences arising on translation of retained earnings and income for the period at year-end rates	(2.260)	(4.900)
	<u>(2.260)</u>	<u>(4.900)</u>
Net decrease in cash and equivalents	-	-
Cash and cash equivalents at the beginning of the year	1	1
Cash and equivalents at the end of the year	<u>1</u>	<u>1</u>

See accompanying notes to the financial statements

BCP Finance Company

Statements of Changes in Shareholders' Equity for the years ended 31 December, 2004 and 2003

(Amounts expressed in thousands of USD)

	Total Shareholders' Equity	Ordinary Shares	Preference Shares	Revaluation reserve	Accumulated deficit
Balance on 31 December, 2002	1.151.298	1	1.048.700	126.552	(23.955)
Net income for the year	57.680	-	-	-	57.680
Dividends on preference shares	(57.726)	-	-	-	(57.726)
Unrealized loss on available-for-sale investments (note 3)	(7.710)	-	-	(7.710)	-
Capital increase	31.575	31.575	-	-	-
Translation differences	209.400	-	214.300	-	(4.900)
Balance on 31 December, 2003	1.384.517	31.576	1.263.000	118.842	(28.901)
Net income for the year	63.093	-	-	-	63.093
Dividends on preference shares	(63.012)	-	-	-	(63.012)
Unrealized gains on available-for-sale investments (note 3)	12.410	-	-	12.410	-
Capital increase	138.934	2.724	136.210	-	-
Translation differences	99.318	2.478	99.100	-	(2.260)
Balance on 31 December, 2004	1.635.260	36.778	1.498.310	131.252	(31.080)

See accompanying notes to the financial statements

BCP Finance Company

Notes to the Financial Statements 31 December, 2004 and 2003

1 Accounting policies

1.1 Incorporation and activities

BCP Finance Company (the “Company”) was incorporated on 29 December, 1995 under the laws of the Cayman Islands and commenced activity in May 1996.

The Company acts as an overseas finance vehicle of Banco Comercial Português Group.

The Company is held by BCP Internacional II, S.G.P.S., Lda., a Madeira holding company which owns 100% of the Company’s Ordinary shares. Banco Comercial Português, S.A. owns 100% of the shares and voting stock of BCP Internacional II, S.G.P.S., Lda.

As at December 31, 2004 and 2003 the Company had no employees. The Registered Office of the Company is located at Strathvale House, 3rd Floor, North Church Street, P.O. Box 30124 SMB, Grand Cayman, British West Indies.

1.2 Basis of presentation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards and are consistent with those used in the previous year.

The financial statements are prepared on a fair value basis for available-for-sale assets, except those for which a reliable measure of fair value is not available. Other financial assets and liabilities and non-financial assets and liabilities are accounted for at amortized cost or historical cost.

1.2 Basis of presentation (continued)

Although the functional currency of the Company is the Euro, considering that the Company's shares are marketed to international investors, the measurement and presentation currency of the financial statements is the United States dollar.

1.3 Recognition of income and expenses

Revenues and expenses are recorded on an accrual basis.

1.4 Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated into Euros at the foreign exchange rate at the date of the transaction. Monetary assets and liabilities expressed in foreign currencies are translated into Euros at the foreign exchange rate at the balance sheet dates. Foreign exchange differences arising on translation are recognized in the income statements. Non-monetary assets and liabilities expressed in foreign currencies, which are stated at historical cost, are translated into Euros at the foreign exchange rate for the date of the transaction. Non-monetary assets and liabilities expressed in foreign currencies that are stated at fair value are translated to the reporting currency at the foreign exchange rates for the dates that the values were determined.

Although the Company's functional currency is the Euro it uses United States dollars as its reporting currency. In translating the financial statements from Euros into United States dollars, the assets and liabilities, both monetary and non-monetary, are translated at the exchange rate ruling at the balance sheet dates. Income and expenses are translated at the average exchange rate of the year which is considered to reflect approximately the exchange rate at the date of the transactions. All resulting exchange differences are recognised directly in equity.

1.5 Financial Instruments

Classification

Trading instruments are those that the Company principally holds for the purpose of short-term profit taking. These include derivative contracts that are not designated as effective hedging instruments. All trading derivatives with a net receivable position (positive fair value) are reported as financial assets held for trading. All trading derivatives with a net payable position (negative fair value) are reported as financial liabilities held for trading. As at 31 December 2004 and 2003 the Company had no open derivative positions.

1.5 Financial Instruments (continued)

Available-for-sale assets are financial assets that are not held for trading purposes, originated by the Company, or held to maturity. Available-for-sale instruments include money market placements and certain debt and equity investments.

Recognition

The Company recognizes financial assets held for trading and available-for-sale assets on the date it commits to purchase the assets. From this date any gains and losses arising from changes in fair value of the assets are recognized.

Measurement

Financial instruments are measured initially at cost, including transaction costs.

Following the initial recognition, all available-for-sale assets are measured at fair value, except for the instruments that don't have a quoted market price in an active market and whose fair value cannot therefore be reliably measured being stated at cost, including transaction costs, less impairment losses.

All non-trading financial liabilities are measured at amortized cost. Amortized cost is calculated on the effective interest rate method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortized based on the effective interest rate of the instrument.

Fair value measurement principles

The fair value of financial instruments is based on their quoted market price at the balance sheet date without any deduction of transaction costs. If a quoted market price is not available, the fair value of the instrument is estimated using pricing models or discounted cash flow techniques.

Gains and losses on subsequent measurement

Gains and losses arising from a change in the fair value of available-for-sale assets are recognized directly in equity in the revaluation reserve. When the financial assets are sold, collected or otherwise disposed of, the cumulative unrealised gain or loss recognized in equity is transferred to the income statements.

Gains and losses arising from a change in the fair value of trading instruments are recognized in the income statements.

Specific instruments

Cash and cash equivalents

Cash and cash equivalents are comprised of cash balances on hand and cash deposited with central bank.

1.5 Financial Instruments (continued)

Loans and advances to credit institutions

Loans and advances originated by the Company are classified as originated loans and receivables.

Loans and advances are reported net of allowances to reflect the estimated recoverable amounts (see note 1.8).

1.6 Derecognition

A financial asset is derecognised when the Company loses control over the contractual rights that comprise that asset. This occurs when the rights are realized, expire or are surrendered. A financial liability is derecognised when it is extinguished.

Held-to-maturity instruments and originated loans and receivables are derecognised on the day they are transferred by the Company.

1.7 Offsetting

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when the Company has a legally enforceable right to set off the recognized amounts and the transactions are intended to be settled on a net basis.

1.8 Impairment

Financial assets are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such indication exists, the asset's recoverable amount is estimated.

Originated loans and advances and held-to-maturity loans

The recoverable amount of originated loans and receivables, is calculated as the present value of the expected future cash flows, discounted at the instrument's original effective interest rate. Short-term balances are not discounted.

1.8 Impairment (continued)

Loans and advances are presented net of specific and general allowances for uncollectibility. Specific allowances are made against the carrying amount of loans and advances that are identified as being impaired based on regular reviews of outstanding balances to reduce these loans and advances to their recoverable amounts. The expected cash flows for portfolios of similar assets are estimated based on previous experience and considering the credit rating of the underlying customers and late payments of interest or penalties. Increases in the allowances account are charged against the income statement. When a loan is known to be uncollectible, all the necessary legal procedures have been completed, and the final loss has been determined, the loan is written-off.

If in a subsequent period, the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the write-down, the write-down or allowance is reversed through the income statement.

Financial assets remeasured to fair value directly through equity

The recoverable amount of an equity instrument is its fair value. The recoverable amount of debt instruments remeasured to fair value is calculated as the present value of expected future cash flow discounted at the current market rate interest.

Where an asset remeasured to fair value directly through equity is impaired, and a write-down of the asset was previously charged against equity, the write-down is transferred to the income statements and recognized as part of the impairment loss. Where an asset measured to fair value directly through equity is impaired, and an increase in the fair value of the assets was previously charged against equity, the increase in fair value of that asset is reversed to the extent the asset is impaired. Any additional impairment loss is recognized in the income statements.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the write-down, the write-down is reversed through the income statements.

1.9 Recognition of income and expenses

Income and expenses are recorded on an accrual basis.

1.10 Use of estimates

The preparation of financial statements in accordance with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the period. Actual results could differ from those estimates.

2 Cash and cash equivalents

This balance refers to a deposit repayable on demand held in BCP-Sucursal de Cayman.

3 Investments

This balance is analysed as follows:

	2004 USD'000	2003 USD'000
Debt and other fixed income instruments available-for-sale		
Subordinated bonds	1,629,562	1,381,842
Equity investments and other non fixed income instruments available-for-sale		
Equity investments	27	25
	<u>1,629,589</u>	<u>1,381,867</u>

Income from debt and other fixed income instruments is recognised as interest income.

The balance of Subordinated bonds as at 31 December, 2004 refers to the following subordinated bonds issues:

Issue	Issue date	Maturity date	Interest rate	Nominal value EUR'000	Book value USD'000
BCP - Madeira Off-Shore Branch	09/06/2004	Undetermined	Euribor 3M	500,000	681,050
BCP – Madeira Off Shore Branch	28/09/2000	Undetermined	Euribor 3M	600,000	817,260
					1,498,310
Fair value adjustment					131,252
					<u>1,629,562</u>

The fair value adjustment for all the issues held by the Company for the year ended 31 December, 2004 amounts to USD 12,410,000 (2003: USD 7,710,277).

3 Investments (continued)

In June, 2004 the EUR 400,000,000 Subordinated Loan issued by Banco Comercial Português – Madeira Off-Shore Branch, was fully reimbursed.

The balance of Subordinated bonds as at 31 December 2003 refers to the following subordinated bonds issue:

Issue	Issue date	Maturity date	Interest rate	Nominal value EUR'000	Book value USD'000
BCP - Madeira Off-Shore Branch	14/06/1999	14/06/2039	6.250%	400,000	505,200
BCP – Madeira Off Shore Branch	28/09/2000	Undetermined	Euribor +3M	600,000	757,800
					1,263,000
Fair value adjustment					118,842
					1,381,842

Equity investments are analysed as follows:

	2004 USD'000	2003 USD'000
BCM – Banco Comercial de Macau, SARL	27	25
	27	25

During 2001, the Company acquired 128 shares of BCM - Banco Comercial de Macau, SARL (BCM) for the amount of USD 17,504. This investment is recorded at the acquisition cost, which does not differ significantly from fair value, in Euros and translated into US dollars at the exchange rate at the balance sheet date. In 2004, the Company received dividends from BCM in the amount of USD 1,508 (2003: USD 865).

4 Other assets

This balance is analysed as follows:

	2004 USD'000	2003 USD'000
Interest receivable	21,869	1,825
Prepayment and deferred costs	4,820	-
	<u>26,689</u>	<u>1,825</u>

Interest receivable refers to interest accrued from subordinated bonds issue referred to in note 3 in the amount of USD 21,869,250 (2003: USD 1,824,530).

Prepayment and deferred costs refer to fees accrued from EUR 500,000,000 Series C Perpetual Non-Cumulative Guaranteed Non-Voting Step-Up Preference Share issue referred to in note 6 in the amount of USD 4,819,753.

5 Other liabilities

This balance is analysed as follows:

	2004 USD'000	2003 USD'000
Dividends payable	21,663	1,737
Other	-	8
	<u>21,663</u>	<u>1,745</u>

Dividends payable refers to the dividends from the preference shares, as referred to in note 6.

6 Share capital

The authorised share capital of the Company is analysed as follows:

	Number of shares		Nominal value USD'000	
	2004	2003	2004	2003
Ordinary shares	27,025,000	25,025,000	36,802	31,600
Preference shares:				
Series A	8,000,000	8,000,000	544,840	505,200
Series B	6,000,000	6,000,000	817,260	757,800
Series C	5,000,000	-	681,050	-
			2,079,952	1,294,600

The Company's authorized share capital was amended by way of shareholder's resolution with effect from 9 June 2004. As at 31 December, 2004 the authorised share capital amounts to USD 2,079,952,000 (2003: USD 1,294,600,000) divided into 25,000 ordinary shares with a nominal value of USD 1 each, 27,000,000 ordinary shares with a nominal value of EUR 1 each, 8,000,000 Series A Non-Cumulative, Guaranteed, Non-Voting Preference Shares with a nominal value of EUR 50 each, 6,000,000 Series B Floating Rate, Non-Cumulative, Guaranteed, Non-Voting Preference Shares with a nominal value of EUR 100 each and 5,000,000 Series C Perpetual, Non-Cumulative, Guaranteed, Non-Voting, Step-Up Preference Shares with a nominal value of EUR 100 each.

6 Share capital (continued)

The issued share capital, which is fully paid, is analysed as follows:

	Number of shares		Nominal value USD'000	
	2004	2003	2004	2003
Ordinary shares	27,001,000	25,001,000	36,778	31,576
Preference shares				
Series A	-	8,000,000	-	505,200
Series B	6,000,000	6,000,000	817,260	757,800
Series C	5,000,000	-	681,050	
			1,535,088	1,294,576

As at 31 December, 2004 the issued ordinary share capital, which is fully paid, amounts to USD 25,000 composed of 1,000 shares with a nominal value of USD 1 each, and 27,000,000 shares with a nominal value of EUR 1 each.

In June 1999 the Company issued 8,000,000 Series A Non-Cumulative, Guaranteed, Non-Voting Preference Shares with a nominal value of EUR 50. The costs related with this issue amounted to USD 8,036,800. On 14 June, 2004 the series A Non-Cumulative, Guaranteed, Non-Voting Preference Shares were fully redeemed

In September 2000 the Company issued 6,000,000 new Series B Floating Rate, Non-Cumulative, Guaranteed, Non-Voting Preference Shares with a nominal value of EUR 100 each. The costs related with this issue amounted to USD 11,166,000.

During 2004, the Company issued 5,000,000 Series C Perpetual, Non-Cumulative, Guaranteed, Non-Voting, Step-Up Preference Shares with a nominal value of EUR 100 each.

The payment of dividends is guaranteed by Banco Comercial Português, S.A. acting through its off-shore branch of Zona Franca da Madeira ("Sucursal Financeira Exterior"). The preference shares, issued in 2004 will entitle holders to receive non-cumulative preferential cash dividends at a rate of 6.25% per annum, payable quarterly on the 14th March, 14th June, 14th September and 14th December of each year. The preference shares issued in 2000 entitle holders to receive non-cumulative preferential cash dividends at a rate equal to the three months Euro Interbank Offered Rate ("Euribor"), plus 1.75% per annum. Such rate will be determined at 11:00 a.m. (Frankfurt time) two business days prior to the first day of each dividend period.

7 Revaluation reserve

Revaluation reserve corresponds to the unrealised gains on available-for-sale investments and is not available for distribution.

8 Fair value of financial instruments

The following methods and assumptions were used by the Company in estimating the fair value of its financial instruments:

Investments

Fair values of subordinated bonds and other equity investments are generally based on quoted market prices. If a quoted market price is not available, fair value is estimated using secondary market prices or quoted market prices for securities with similar credit, maturities and interest rate characteristics.

Other financial instruments

For the other financial instruments of the Company, the carrying amounts approximate fair value due to the immediate or short-term nature of these financial instruments.

The following table shows the estimated fair value of the Company's financial instruments.

	2004		2003	
	Carrying Value USD'000	Estimated Fair Value USD'000	Carrying Value USD'000	Estimated Fair Value USD'000
<i>Assets</i>				
Subordinated bonds	1,629,562	1,629,562	1,381,842	1,381,842

9 Related party transactions

The significant transactions and balances with Banco Comercial Português Group are stated in the respective notes.

10 Risk Management

Millennium bcp's activity is subject to risks of various kinds, including those related with the macroeconomic framework and those of the main markets in which it does business, namely the money, foreign-exchange, bond and equity markets, both in global terms and at European level, in Portugal in particular, induced by the future evolution of interest and exchange rates and of the price of financial instruments.

The risks arising from an unfavourable evolution of the domestic economy, with possible repercussions involving a decline of demand for financial products and services and lesser asset quality, on a par with the evolution of savings and debt rates of Portuguese companies and households, for their potential impacts in respect of both the degree of uncertainty of expected returns on assets held and of their adequate provisioning and of the capacity to provide the structure and financing conditions best suited to the characteristics of the businesses, may well affect the financial situation and results of Millennium bcp.

Increasing competition in various areas of the banking and financial business by domestic and foreign institutions, the performance of intermediation margins, the growing affirmation of remote channels and technological e-banking platforms in the provision of financial services and possible lack of success ensuring that the loyalty of its customer base remains high are other factors that could affect operating conditions.

Possible political developments in Portugal or other countries, especially in those in which it operates, and alterations to the regulatory framework (especially in the matter of risk cover and capital requirements), the possibility that the pension fund's cover of liabilities could come to be insufficient as a result of the evolution of the global equity markets and of deviations from the underlying assumptions, as well as risks of an operational and technological nature related with both internal and external factors inherent in the business carried on by Millennium bcp, could also condition its financial situation and results.

Objectives of the Risk Policy

Constant suiting of the level of own funds to the scope of the business, as well as evaluation of the risk/return profile of each business line, constitute the fundamental objectives of the Group's risk-management policy.

In this regard, implementation of an integrated methodology for calculation of economic capital, compatible with the requirements of Basle II, that takes into account the existing correlations between the various types of risk incurred, is a priority in risk-management activity.

The complexity of this process, taking into account, in particular, the different types of risk involved and the diversity of the markets in question, warranted the alteration, at the end of 2003, of the internal organisation model underpinning the process of risk evaluation and management, involving the creation of the Risk Committee and of the Risk Office.

These alterations contributed to accelerating the harmonisation of risk evaluation and management processes and methodologies across the entire Group, an important step in the pursuit of the goals that had been established. The developments achieved in 2004 are clear to see.

10 Risk Management (continued)

Internal Organisation

The Board of Directors of Banco Comercial Português is charged with defining the general risk management and control principles, approving the respective management policy and creating a structure at the level of the organisation with the resources required to identify, evaluate and limit every type of risk – credit, market, liquidity and operational.

With a view to ensuring the consistency of principles, concepts, methodologies and tools involved in evaluation of the risks of all the business units, including the subsidiaries and branches abroad, responsibility for implementation of the risk policies has been concentrated in a transverse structure totally independent of the areas involved in the processes originating the risks – the Risk Office.

The Risk Office is charged with developing, proposing, implementing and controlling the application of a set of evaluation methodologies and metrics allowing direct evaluation of the risks incurred.

These methodologies are documented by means of internal rules and regulations. Calculation of the values at risk is supported by a set of information technology systems that, together, provide an integrated overview of the risks incurred both at the individual level of each business unit and at the consolidated level.

The Risk Office is also responsible for supporting the working of the Risk Committee and of its subordinate committees in the management of the various types of risks incurred by the Banco Comercial Português Group.

The Risk Committee, headed by the Chairman of the Board of Directors, includes the other members of the Board of Directors, the Risk Officer and the heads of the divisions directly involved in the risk-management processes. The Risk Committee is responsible for monitoring overall risk levels.

In this capacity, the Risk Committee is charged with ensuring ongoing improvement of the risk evaluation and management processes, so that they are permanently suited to the nature of the Group's business and in line both with the strategic objectives established and with best market practices in this area.

Management of the various types of risk (credit, market, liquidity and operational), on a specialised basis, is delegated on the respective Management Committees, which are subordinated to the guidelines of the Risk Committee in their working. All the committees are chaired by member of the Board of Directors and include the Risk Officer and the heads of the areas most directly involved in monitoring each type of risk.

The activity of the entities included in the Banco Comercial Português consolidation perimeter is governed by observance of the principles and decisions implemented by the Risk Committee and by its subordinate committees. The internal structures are provided with the resources that are seen to be necessary, in the light of the risks incurred by their activity, to support the Risk Office in its mission.

10 Risk Management (continued)

Whenever deemed appropriate, local risk-monitoring committees may be set up at the level of each entity.

Risk Evaluation and Management Model

Millennium bcp's risk evaluation and monitoring model is based on the division of the business into five areas that have distinct functions in the risk management process – commercial, structural, markets, Asset and Liability Management (ALM) and Credit Portfolio Management (CPM).

The commercial, markets and structural areas encompass the operations undertaken with entities external to the Group, including contracts with customers (commercial), operations resulting from business on the financial markets (markets) and operations of the structural nature (structural), such as, issues of share capital and subordinated debt, and acquisitions of shareholdings.

The Credit Portfolio Management (CPM) and Asset and Liability Management (ALM) areas take on the role of macro management areas for credit and market risks, respectively. The risk positions of both these areas are originated by internal operations involving the transfer of the risks of the three areas mentioned previously (commercial, structural and markets).

As a rule, the commercial and structural areas do not manage risks and therefore the risks originated within the scope of their respective activities are transferred in full, through internal operations undertaken at market prices, to the risk-management areas (CPM and ALM). Positions transferred to the risk-management areas are then included in their own portfolios and they are therefore eligible for the purpose of evaluation and control of the respective risk limits.

The markets areas act, simultaneously, as trading areas (own portfolio) and as executors of decisions taken by the Risk Committee and/or the Risk Management Committees, having, in the latter case, responsibility for contracting market operations designed to match the overall risk levels with the approved guidelines.

Under these conditions, the Bank's Credit and Market risks are concentrated in three areas:

Markets – includes the market-risk positions (interest rate, currency and liquidity) resulting from trading activity and liquidity management;

ALM – includes the market-risk positions resulting from the internal transfer of risks originated in the commercial and structural areas, net of hedging decisions and of the risk positions assumed at the level of the Asset and Liability Management Committee (ALCO);

CPM – covers the credit-risk positions originated in the other areas – commercial, structural and markets, net of the respective hedging decisions.

10 Risk Management (continued)

Credit and Counterparty Risk Management

The credit risk is associated with the degree of uncertainty of the expected returns as a result of the inability both of the taker of a loan (and its guarantor, if any) and of the issuer of a security or of the counterparty to an agreement to fulfil its obligations.

Credit risk evaluation

Credit-risk evaluation at Millennium bcp is based on models that, in the case of customers of the Retail segment, are essentially of behavioural nature and, in the case of corporate customers, combine economic and financial information with data of a qualitative nature, such as management quality and the organisation of the company, its position in the marketplace and its future prospects. Taking present corporate reality into account, special attention is given to inter-company relations, and the Bank has up-to-date information on economic groups. In the latter cases risk evaluation is undertaken on a consolidated basis.

The degree of risk of most individual customers and self-employed is evaluated using the TRIAD model, the credit-decision support system implemented in 2000 that automatically establishes preliminary credit risks and degrees of risk in respect of each customer, on the basis of their financial history. At the same time, the system provides a high quality service, seen in the simple, fast approval of loans and in strict monitoring of loan portfolio quality. It also lends greater effectiveness to marketing efforts by preparing campaigns directed specifically at customers with a given risk profile.

Customers are therefore submitted to internal rating procedures, and the credit decision is entrusted to committees whose constitution and responsibilities are perfectly defined by specific regulations. In accordance with the internal rating system, each customer is assigned a certain risk degree, in keeping with the following schedule:

Risk degree	Meaning	Application
A	Negligible credit risk	Customers of excellent financial strength. Default is very unlikely to occur.
B	Low credit risk	Customers of excellent financial strength far above the average. Capacity for timely repayment is very strong.
C1	Low to medium credit risk	Customers with a good repayment capacity and well above the average financial strength.
C2	Average credit risk	Financial strength is average and repayment capacity is satisfactory.
C3	Acceptable, though above average, credit risk	Repayment capacity is still acceptable, even though customers in this grade are somewhat vulnerable to adverse market conditions or economic climate.
D	High credit risk	Customers with a considerable probability of default.
E	Excessive credit risk	Customers in a fragile economic and financial situation. Default is very likely.

The probability of default determined in accordance with the Basle II criteria reflects the power of discrimination of the rating systems used internally.

10 Risk Management (continued)

In addition to the rating models, there is a preventive control system designed to ensure early detection of cases of default. The system is based on a set of Warning Signals, leading, in the light of their frequency, seriousness and correlation, to the assignment of Risk Classifications and to the definition of mandatory Plans of Action with a view to minimising default. All these instruments are reviewed periodically to ensure that their prediction ability is maintained.

Whenever possible, mitigation instruments are used – collateral and guarantees – which provide adequate protection against the risks inherent in granting credit. The Group has brought these instruments into line with the requirements of Basle II, and has established, in the light of the counterparty risk and of the level of section provided by the collateral, the risk degree of the operation, and this is reflected in pricing the costs associated with the respective expectation of loss.

There is regular analysis, from several standpoints, of the quality of the Bank's loan portfolio. Here, the focus is on the evolution of the risk profile of the various commercial networks and on the concentration of liabilities both per sector of activity and per customer, in the latter case per economic group also.

Market Risk Management

The market risk reflects the potential loss inherent in a given portfolio as a result of alterations of rates (interest and exchange) and/or of the prices of the various financial instruments that make up the portfolio, considering both the correlations that exist between them and the respective volatility.

Market Risk Evaluation Measures

The Group uses the Value at Risk (VaR) concept as the principal measure in controlling exposure to market risks.

Calculation of the VaR is undertaken on the basis of the analytic approach defined in the methodology developed by Risk Metrics. It is calculated considering a time horizon of 10 business days and a statistical confidence interval ("one tail") of 99%. In calculating the volatilities associated with each risk factor, the model assumes a greater weighting for those market conditions encountered in the more recent days so as to ensure that the VaR properly reflects the market conditions prevailing from time to time.

Calculation of the capital at risk is undertaken considering the breakdown of the positions by geographic area, currency and nature of the risks (interest-rate, currency and equity). It is calculated both on an individual basis for each responsibility centre involved in the process of taking market risks and on a consolidated basis considering the effect of existing diversification between the various portfolios.

Evaluation of the adequacy of the VaR model in the light of the nature of the risks involved in the portfolios under evaluation is performed on the basis of a daily back-testing process through which the VaR indicators are compared with the actual results. The results of this process lie within the model's significance limits.

10 Risk Management (continued)

To complement the VaR methodology other risk indicators are used to monitor and limit the taking of positions in instruments in which the market risks cannot be correctly valued by the VaR methodology adopted (parametric approximation), such as exposure to the optionality risk. The portfolio of open positions in instruments of this type is of a residual dimension as a proportion of the whole of the Bank's risk positions. For this reason the approach used in calculating the VaR is considered adequate to the profile of the risks incurred.

The VaR calculation process is performed centrally for the Group's major subsidiaries operating in the market areas (Millennium bcp, Millennium bcp Investimento, Bank, Millennium, NovaBank and Bank Europa). It is supported by software developed on the basis of Web technology, allowing the respective trading areas online access to the values at risk of the respective portfolio.

Evolution of the VaR indicators

The VaR is used as a measure of appraisal both of the risks incurred by the market areas (trading portfolio) and of the risks covered by the ALM portfolio, which includes both the positions decided within the scope of the Asset and Liability Management Committee (ALCO) and the internal hedging positions of the risks associated with transactions are originated within the scope of the structural area, as previously defined.

The VaR indicators referred to above generally reflect a low exposure to market risks, 4.6 million euros on average, as a result both of the conservative stance of the trading areas and of the effect of the diversification between the various portfolios.

Analysis by type of risk, in turn, shows that the positions mainly involve interest-rate instruments, while the currency risk and, particularly, the equity risk involve rather insignificant amounts.

A significant contribution is made to the risk levels presented by the risk positions by the inclusion of internal deals in this portfolio, which reflect the interest-rate risk associated with a number of liabilities issued at fixed rate without the respective risks being hedged by market operations. The inclusion of these positions in this portfolio is in line with the principle previously set out of concentrating risks in the Trading and/or ALM areas in accordance with the risk-management model implemented within the Group.

Analysis of Sensitivity to the Interest-rate Risk

Evaluation of the interest-rate risk arising from transactions contracted outside the scope of operations on financial markets is determined through a process of analysis of sensitivity to the interest-rate risk performed on a monthly basis for the whole of the operations included in the Group's consolidated balance sheet as at the date of analysis.

10 Risk Management (continued)

The process of interest-rate risk analysis sensitivity is based on information of a financial nature regarding contracts existing at the date of analysis, available via the information systems. This data is modelled with a view to generating the future cash flows expected for each contract, in accordance with the respective repricing dates. Aggregation, for each currency analysed, of all the cash flows expected for each time interval allows the determination of the respective interests-rate gaps by repricing maturities.

Comparison between the present value of the interest-rate mismatch discounted at market interest rates and the discounted value of these same cash flows simulating a parallel shift of the market interest-rate curve of +100 b.p. reflects the estimated alteration of the book value caused by a parallel 1% variation of market interest rates. The impacts estimated in accordance with the interest-rate risk sensitivity analysis and thus calculated, referred to December 31, 2004, would be +177 billion euros and +7 million euros for those currencies in which the Group has more significant positions, euros and dollars respectively.

On the basis of the results of this sensitivity analysis, operations are carried out with the market each month with a view to cancelling the risk positions, in each repricing maturity, associated with the portfolio of operations belonging to the commercial and structural areas.

Those risk positions that are not subject to market hedging are transferred via internal operations to the market areas (risk positions with maturities of less than 1 year) and to the ALM area (risk positions of more than one year). That time on the positions form an integral part of the respective portfolios that are valued daily on the basis of the VaR methodology.

Liquidity Risk Management

The liquidity risk reflects the Group's inability to meet its obligations when they fall due without incurring significant losses as a result of a worsening of the financing conditions (financing risk) and/or of the sale of its assets at less than market value (market liquidity risk).

The growth of the loan portfolio seen in recent years, particularly with regard to the mortgage loan component, has been considerably greater than the growth of customer funds taken, with the consequent impact on the liquidity position of the Group.

As a result of this trend of evolution of commercial activity, a part of the Group's assets is financed by recourse to other sources of financing, with a focus for their importance on the asset-securitisation operations (credits and securities), the issue of securities under the Euro Medium Term Notes (EMTN) programme and the medium-and long-term financing operations contracted with financial institutions.

10 Risk Management (continued)

Recourse to new sources of financing, with longer maturities, on a par with the alteration of the structure of customers' resources – involving an increase of the relative weight of structured products, these too with longer maturities – has allowed the balance of the Group's liquidity position to be maintained, in terms both of the diversity of its sources of financing and of the matching of the respective maturities to the nature of the assets to be financed.

Management of the Group's liquidity is centralised in Lisbon. This means that both the financing needs and any surplus funds generated by the subsidiaries are managed by the Bank, contributing to more efficient management of the Group's financing requirements on a consolidated basis.

The policy of financing subsidiary companies is stipulated in an internal regulation establishing a number of rules governing the maximum liquidity gaps by time interval, with a view to ensuring that their financing structure is, on an individual basis, suited to the characteristics of the respective asset portfolio.

Liquidity Risk Evaluation Measures

Evaluation of the Group's liquidity risk is undertaken by means of regulatory indicators stipulated by the supervisory authorities and also by means of internal indicators for which exposure limits have also been determined.

Evaluation of the Group's liquidity situation for short-term time horizons (up to 3 months) is undertaken on a daily basis using two internally defined indicators, immediate liquidity and quarterly liquidity, which measure the maximum fund-taking requirements that can occur on a single day, considering the cash-flow projections for periods of 3 days and 3 months, respectively.

Calculation of these indicators involves adding to the liquidity position of the day of analysis the future cash flows estimated for each day of the respective time horizon (3 days or 3 months) the operations as a whole brokered by the markets area. This includes transactions carried out with customers of the Corporate and Private networks, which for their dimension must be quoted by the Market Room. The value thus calculated is increased by the amount of highly liquid assets included in the Bank's securities portfolio, determining the accumulated liquidity gap for each day of the period under analysis. These figures are reported on a daily basis to the areas responsible for the management of the Group's liquidity position and are compared with the exposure limits stipulated in the market and liquidity risk management handbook.

In parallel with this an analysis calculation of the evolution of the Group's liquidity position is undertaken on a daily basis, identifying all the factors justifying any variations. This analysis is submitted to the appraisal of ALCO for decisions to be taken leading to keeping financing at a level adequate to the pursuit of the Group's business.

10 Risk Management (continued)

Calculation of the liquidity indicator instituted by the Bank of Portugal, returned a figure of 103%, on a consolidated basis as at December 31, 2004, which compares with a figure of 108% as at December 31, 2003, reflecting the stability of the Group's liquidity position.

Operational Risk Management

The operational risk is understood to be the potential loss resulting from failures or inadequacies in the internal procedures, persons or systems, and also the potential losses resulting from external events.

Operational Risk Management Methodology

Management of the operational risk is for its own characteristics decentralised across the entire structure of the institution. The various parties involved must comply with the main activities of the management process: identification, evaluation, control and mitigation.

Millennium bcp has adopted a number of principles and best practices that ensure efficient management of the operational risk, particularly through definition and documentation of these principles and through implementation of the respective control mechanisms. This includes segregation of functions, responsibility lines and respective authorisations, assignment of exposure limits, codes of practice and of conduct, key indicators, controls at information technology level, physical and logical accesses, conciliation activities and reports of exceptions. The working rules and characteristics of the internal control system are duly documented and divulging, allowing access by all employees.

Without prejudice to the responsibility of the entire structure in the management of the operational risk, a department has been created, as part of the organic structure of the Risk Office, dedicated solely to the management of the Operational Risk. Its mission is to strengthen the capabilities of the Banco Comercial Português Group with a view to the adoption in due course of the most advanced methodologies proposed by Basle II in so far as the Operational Risk is concerned: AMA – Advanced Measurement Approaches.

Of the initiatives implemented during 2004, the focus is on the launch of a risk assessment exercise designed to determine the risks, controls and forms of mitigation associated with the various procedures in each one of the various areas of activity, known as Macro Processes: Loans, Liability Products, Products and Services Development, Treasury, ALM and Markets and Accounting. This activity forms part of a vaster project designed to strengthen the present system of internal control, which is headed by the Risk Office and by Internal Audit.

Within the scope of the definition of contingency plans, a team has been set up dedicated to the construction of a Business Continuity Plan that will allow Millennium bcp to confront situations of crisis in a planned manner, ensuring that business will be back on stream within the established deadlines that are considered acceptable.

10 Risk Management (continued)

Basle II

Since its first involvement in quantitative impact study in 2001, the BCP Group has developed a number of internal initiatives leading to the implementation of the Basle II proposals, the final version of which was presented in June 2004. Of the activities now under way, the focus is on the progressive enlargement of customer classification methodologies to every business segment and their respective alignment with the agreements of the Accord, the introduction of significant improvements in the management of guarantees and collateral so as to allow more effective risk mitigation, and the launch of a self risk assessment programme within the scope of the operational risk.

In parallel, a project is under way to evaluate the level of readiness which will better accommodate the requirements of Pillars I, II and III of the Basle II Accord, throughout the entire perimeter of the Group's business. The aim of this exercise is to obtain an integrated vision of the present situation in various areas: organisation, policies and procedures, models and information technologies. The idea is not only to achieve a compliance check but also to take advantage of the alterations that will have to be implemented, subscribing to best risk-management practices, this will allow the creation of value, or business benefits, both in reducing the consumption of capital and in business adjustments (costs, pricing, etc).

As far as calculation of capital requirements is concerned, Pillar I, a first assessment has defined approaches to the various types of risk, although the study referred to above may lead to alterations to the methodology to be adopted.

Credit Risk

The BCP Group recognises the advantages brought about by the adoption of the internal rating methods, reflected in a potential reduction of own funds requirements in the light of the results observed periodically in internal exercises simulating the Accord. It is predicted that, in a first stage, the IRB Foundation approach will be adopted, with a view to the future adoption of more advanced technologies.

Market Risks

The Bank has consistently made use, in recent years, of the VaR methodology to evaluate market risks. It carries out a daily back-testing process allowing demonstration of the adequacy of the model in the evaluation of the risks incurred, and therefore used may come to be made of internal methods. The operational systems designed to evaluate market risks, particularly the calculation of the VaR, being extended to every entity of the BCP Group.

Operational Risk

The level of demand for implementation of the AMA will require significant alterations in procedural, organisational and information technology terms. Without losing sight of this objective, it would seem to be advisable to begin by the less sophisticated approaches, particularly by the Standard.

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