EUROPEAN COMMISSION

Brussels, 30.8.2013
C(2013) 5669 final

In the published version of this decision, some information has been omitted, pursuant to articles 24 and 25 of Council Regulation (EC) No 659/1999 of 22 March 1999 laying down detailed rules for the application of Article 93 of the EC Treaty, concerning non-disclosure of information covered by professional secrecy. The omissions are shown thus […].		PUBLIC VERSION This document is made available for information purposes only.

Subject: State aid n° SA.34724 (2013/N) – Portugal
Restructuring of the Banco Comercial Português (BCP) Group

Sir,

1. PROCEDURE

(1) On 29 June 2012 Banco Comercial Português, S.A. ("**BCP**") was recapitalised under the Recapitalisation Scheme for credit institutions in Portugal ("**the Recapitalisation Scheme**")[1]. Pursuant to recital 23 of the Decision authorising the Recapitalisation Scheme beneficiaries of State aid under that scheme have to submit a restructuring plan within six months from the recapitalisation.

(2) On 19 October 2012, the Portuguese authorities notified a restructuring plan for the BCP Group. The restructuring plan was subsequently updated by several submissions, most recently on 15 July and 7, 9 and 28 August 2013[2].

[1] Case SA.34055, OJ C 249, 18.8.2012, p. 5.

[2] The submission of 15 July 2013 was the latest submission of the adverse case financial projections, that of 7 August 2013, the latest submission of the restructuring plan, and those of 7 and 9 August, the latest base case financial projections. A finalised Commitment Catalogue was attached to the submission of the Portuguese authorities of 9 August 2013.

S. Ex.ª o Ministro dos Negócios Estrangeiros
Rui MACHETE
Largo do Rilvas
P – 1399-030 - Lisboa

Commission européenne, B-1049 Bruxelles – Belgique
Europese Commissie, B-1049 Brussel – België
Telefone: 00-32-(0)2-299.11.11.

(3) The restructuring plan for the BCP Group was discussed between the Portuguese authorities and the Commission services in a series of meetings, phone conferences and other information exchanges between November 2012 and August 2013.

(4) On 1 March 2013, *Banco de Portugal* (the **"BoP"**), the Central Bank of Portugal, submitted to the Commission the stress test report of February 2013 and material concerning the Improvements Programme[3] which aimed at assessing the parameters and methodologies used by banks in stress test exercises with the help of an external advisor.

(5) Portugal exceptionally accepts that the present decision be adopted in the English language.

2. BACKGROUND

2.1 The beneficiary

(6) BCP is the parent company of the BCP Group, also referred to as Millennium Group, ("**the BCP Group**"[4]) the largest privately-owned banking group in Portugal and the second-largest in terms of total assets, loans to customers (gross, excluding off-balance-sheet securitisations) and customer deposits. At the end of 2012, BCP had a national market share of 18.1% in deposits and of 19.1% in loans.

(7) The BCP Group is a financial group that offers a wide range of banking products and related financial services, both in Portugal and abroad, including as main product classes: loans, guarantees and other types of secured or unsecured credit facilities, including capital goods finance; the full spectrum of savings products; other fee-based services including securities-related services such as brokerage and custody; the full range of payments-related services; foreign-exchange and domestic- and foreign-trade-related business; and contractual arrangements that modify or hedge the customer´s exposure to market or operating risk; as well as the distribution of financial products provided by third parties, including insurance products.

(8) The BCP Group's customers are served on a segmented basis[5].

(9) The BCP Group's business is mostly concentrated in Portugal, with other important operations located in Poland and – until the recent sale of the operations – in Greece. In terms of growth, however, African operations (in Angola and Mozambique) have become increasingly important to the BCP Group. The BCP Group has the following stakes in the international operations (% held; total assets at the end of 2012): in Poland (65.5%; EUR 12.9 billion), Romania (100%; EUR 0.6 billion), Switzerland (100%; EUR 0.5 billion), Mozambique (66.7%; EUR 1.87 billion), Angola (50.1%; EUR 1.37 billion) and the Cayman Islands (100%; EUR 2.62 billion), all of which operate under the Millennium Brand.

(10) The BCP Group's balance sheet on 31 December 2012 amounted to EUR 89.69 billion[6] with risk weighted assets[7] **("RWA")** of EUR 53.27 billion. The total assets

---

[3] The BoP has undertaken a Special On-site Inspection Programme ("**OIP**") which aims to review the long-term solvency of the eight participating banks. The Improvements Programme is Work Stream 3 of the OIP.

[4] In the Commitment Catalogue the BCP Group is referred to as "BCP" or the "Bank".

[5] See Commitment Catalogue paragraph 3.11.b for segmentation in Portugal.

in domestic operations amounted to EUR 67.46 billion, corresponding to 75% of the BCP Group's consolidated assets. The total assets in international operations amounted to EUR 22.23 billion (25%).

(11) At the end of 2012 the BCP Group had 20,365 employees (8,982 in the domestic business and 11,383 in the international business) and 1,699 branches (839 in the domestic business and 860 in the international business).

(12) The main financial figures of the BCP Group over the last years are shown in Table 1.

Table 1: BCP Group's main financial figures, in 2010-1H2013

	31/12/2010	**31/12/2011**	***30/06/2012***[8]	**31/12/2012**	***30/06/2013***[8]
Total assets (billion EUR)	99.986	93.472	*92.962*	89.690	*83.929*
RWA (billion EUR)	59.564	55.455	*55.640*	53.271	*48.755*
Loans to customers (billion EUR)	73.970	68.235	*66.296*	62.711	*57.943*
Customer deposits (billion EUR)[9]	45.220	47.118	*47.580*	48.973	*47.050*
Net Loans-to-Deposits ratio ("LTD")	164%	145%	*139%*	128%	*123%*
Net income/ (Loss) (million EUR)	302	(849)	*(544.3)*	(-1,219)	*(488.2)*
Credit at risk	7.1%	10.1%	*13.2%*	13.1%	*12.6%*
Core tier 1 (**"CT1"**) ratio under the BoP rules	6.66%	9.26%	*12.1%*	12.35%	*12.5%*
CT1 EBA[10]	n/a	n/a	*9.7%*	9.8%	*10%*[11]
Total Employees	21,370	21,508	*21,471*	20,365	*18,792*
Number of branches	1,744	1,722	*1,709*	1,699	*1,534*

2.2 The events leading to the aid measures

(13) The need for State support was caused by the combination of the difficult economic environment in some of the countries to which the BCP Group was exposed, the sovereign debt crisis and a change in the regulation governing the capital requirements, requiring the BCP Group to increase its capital buffers.

(14) BCP Group's 2011 results were marked by the outburst of the Greek sovereign debt crisis and the deteriorating macro-economic environment in Greece. The BCP Group had to recognise an impairment charge of EUR 533 million relating to its holdings of

---

6 The financial figures set out in the present decision match those of the financial perimeter. They may differ from the usual figures presented to the market (results presentation, results press releases, etc.), since the latter correspond to the IFRS consolidation perimeter.

7 BCP is authorised to calculate RWA for credit risk according to the IRB (foundation) approach, RWA for market risk according to the International Models Approach and RWA for operational risk according to the Standardised Approach.

8 Source: http://ind.millenniumbcp.pt/en/Institucional/imprensa/Documents/2013/Earnings-Millennium-bcp-2Q13.pdf.

9 Including small and medium-sized enterprises ("**SME**") and other corporate deposits.

10 CT1 ratio determined pursuant to the rules of the European Banking Authority (the "**EBA**"), see recital (19).

11 11.7% adjusted for 30 June 2013 buffer values.

Greek government bonds, amounting to approximately 77% of its nominal holdings in Greek sovereign debt as of 31 December 2011. The impairment charge was the result of the terms of the so-called Private Sector Involvement (**"PSI"**) in Greece[12], as determined for each private holder of Greek sovereign debt. The deteriorating macro-economic environment in Greece also caused the loan loss provisions in the Greek subsidiary to increase sharply, rising threefold from EUR 89.46 million in 2011 to EUR 275.16 million in 2012. In 2012, the BCP Group made additional provisions for risks related to its Greek operations, which also negatively affected the financial results of 2012 to a significant extent.

(15) The quality of the Portuguese loan portfolio reflects the progressive deterioration of the economic and financial situation in Portugal during 2011 and 2012.

(16) As a result, net income decreased sharply between 2010 (EUR 302 million) and 2011 (EUR -849 million), mainly caused by a sharp increase in both loan loss provisions and impairments on financial assets. It further deteriorated in 2012, when the BCP Group booked a negative net income of EUR -1.22 billion.

(17) The BCP Group's credit at risk and the resulting loan loss provisions were higher than those of other major Portuguese banks due to its exposure to the Developers and Construction sector and other higher risk lending.

(18) During 2011 several banks, including the BCP Group, transferred their pension plans partially to the General Social Security Scheme[13]. That transfer had a negative impact of EUR 117 million on the BCP Group's annual results in 2011, and hence on its capital ratios.

(19) On 8 December 2011, the EBA published a Recommendation related to banks' recapitalisation needs[14]. That Recommendation stipulated that their CT1 ratio as a percentage of RWA had to reach 9% including a sovereign buffer reflecting market prices as of 30 September 2011. Banks were expected to build those buffers by 30 June 2012 in order to reach the target ratio. According to the Portuguese submissions, that sovereign buffer had an aggravating effect on the capital buffer of the BCP Group of EUR 848 million in 2012.

(20) In the context of the financial assistance programme for Portugal, the BoP required banks to maintain a minimum CT1 of 9% by 31 December 2011 and of 10% by 31 December 2012. It also required banks to have a minimum CT1 of 6% over the course of the projection horizon of three years (2013-2015) in the adverse/stress scenario, as prescribed and verified by the BoP.

(21) In the light of the foregoing, the BCP Group needed to raise substantial additional capital by 30 June 2012.

(22) BCP relied significantly on wholesale funding, with a LTD ratio of 139% as of 30 June 2012. Moreover, the economic and financial situation of Portugal and the

---

[12] The BCP Group has participated in the private sector bond exchange, known as PSI. The first decision on the PSI, envisaging a 21% write-down on Greek government bonds, was taken in the European Council of 21 July 2011. PSI-II was put forward by the Euro-area Member States on 26 October 2011 and envisaged a bond exchange with a nominal discount of around 50% on notional Greek debt held by private investors. In February 2012, Greece put in place PSI-II and announced the results on 9 May 2012. See the Euro Summit Statement of 26 October 2011, point 12, available online at: http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/125644.pdf.

[13] Portuguese Government decision in Decree Law nr. 127/2011 of 31 December 2011.

[14] EBA/REC/2011/1.

impact of the financial assistance programmes constrained the BCP Group's access to funding markets. The immediate impact of the constrained access to funding to the BCP Group has been a disruptive and sharp rise in its cost of funds. In order to restore a sustainable net interest margin[15], the BCP Group had to have recourse to re-pricing, i.e. renegotiation of the loan spreads. However, such renegotiation is very difficult for longer-dated maturities and contractually fixed spreads as is the case for the residential mortgage book, which represented 44% of the domestic loan portfolio of the BCP Group on 31 December 2012. That impossibility to re-price the BCP Group's assets has had a negative influence on profitability, which in turn limited the BCP Group's further access to liquidity and to capital markets in general. Due to worsened funding conditions on the markets, BCP had to turn to State-guaranteed funding and the Eurosystem liquidity facilities.

2.3 The aid measures

(23) To date, BCP has benefitted from several aid measures.

(24) First, to cover its capital shortfall while constituting an appropriate level of capital buffer, on 29 June 2012 BCP issued EUR 3 billion of hybrid capital instruments convertible into shares ("**CoCos**"), which are eligible for treatment as CT1, subscribed by the Portuguese State (under the Recapitalisation Scheme) ("**Measure A**"). The hybrid capital provided by the State amounts to ca. 5.4% of RWA and bears an interest rate that started at 8.5% and gradually increases up to 10% over the restructuring period, so as to incentivise its repayment[16].

(25) In the second half of 2012, BCP also completed a complementary share capital increase of EUR 500 million[17] through the issuance of 12.5 billion ordinary, registered shares, without nominal value, with the issuance price and subscription price of EUR 0.04 each. Those ordinary shares were offered to the shareholders of BCP for subscription through the exercise of their pre-emptive subscription rights. That capital was initially underwritten by the Portuguese State. It was placed in full with the private investors and diminishes the State's recapitalisation to 86% of the identified total capital shortfall.

(26) Second, the Portuguese State has provided the BCP Group with State guarantees on newly issued non-subordinated debt, approved under the Portuguese guarantee scheme[18] ("**Measure B**"). Since the inception of the Portuguese guarantee scheme the BCP Group has issued a cumulative amount of guaranteed debt of EUR 7.5 billion. The maximum aggregate amount of guarantees issued under that scheme at any given moment was EUR 6 billion. On 30 June 2013, only EUR 4.25 billion of the State-guaranteed debt was outstanding (corresponding to 5.3% of BCP Group's total liabilities) and is projected to be phased out entirely by the end of the

---

15 I.e., the difference between the interest income generated by banks or other financial institutions and the amount of interest paid out to their lenders (for example, deposits), relative to the amount of their (interest-earning) assets.

16 See footnote 1.

17 The oil company Sonangol subscribed ca. 11% of the capital increase, Banco Sabadell took more than 4%, and Ageas (a former shareholder of the bank and with which there is a business partnership) in excess of 2%. Those shareholders as well as entrepreneur José Berardo and EDP roughly stuck to their prior positions. Teixeira Duarte, a construction company, decreased its position from ca. 5% to ca. 2% and CGD retreated from ca. 3% to ca. 1%.

18 Firstly, in case NN 60/2008, OJ C 9, 14.01.2009, and Corrigendum, OJ C 25, 31.01.2009; lastly prolonged on 29 July 2013, in case SA.36869, *not yet published.*

restructuring period[19]. The BCP Group does not envisage issuing additional State-guaranteed debt between the date of the present decision and the end of the restructuring period.

(27) Third, Portuguese banks may benefit until 31 December 2013 from State guarantees for the amount of up to 47% of the EIB financing under the Portuguese guarantee scheme on EIB lending[20, 21].

(28) Currently, BCP has a portfolio of guarantees issued in favour of EIB related to EIB financing of projects in Portugal amounting to ca. EUR 591 million. No State guarantees have as yet been committed to that portfolio. The downward revisions of the BCP's ratings led the EIB to seek eligible collateral, without which the guarantees portfolio outstanding would have to be redeemed early. Under the Commission decision approving the guarantee scheme on EIB lending (which allows coverage of up to 47%), BCP can benefit from a State guarantee of EUR 278 million for the existing portfolio. The restructuring plan foresees that by 31 December 2013 (which is currently the end of the validity of the scheme), the BCP Group will benefit from the State-guaranteed EIB funding up to the amount of EUR 306 million ("**Measure CI**").

(29) As after 1 January 2014, the BCP Group plans to benefit from additional State guarantees of up to EUR 250 million for EIB funding ("**Measure CII**").

(30) The guarantees covered by Measures B and CI are remunerated in line with the State aid rules, as set out in detail in the decisions approving the relevant schemes. In particular, the remuneration for guarantees is calculated in accordance with the formula set out in the 2011 Prolongation Communication[22]. The indicative guarantee fee for BCP for the period 1 July to 31 December 2013 is 129 basis points, which is based on an updated sample of European banks established by the Commission on 16 May 2013.

---

19 According to the submission of the Portuguese authorities of 9 August 2013.

20 Case SA.36180, OJ C 220, 1.8.2013, p. 3.

21 The scheme can be renewed after that date.

22 Communication from the Commission on the application, from 1 January 2012, of State aid rules to support measures in favour of banks in the context of the financial crisis, OJ C 356, 6.12.2011, p. 7.

(31) Table 2 provides an overview of the aid measures.

Table 2: Summary of the aid measures

Measure	Description	Amount (in EUR billion)	Approved by the Commission	RWA
A	Recapitalisation measure: under the Portuguese Recapitalisation Scheme	3	30.05.2012	5.4%
B	State guarantees on unsecured debt: under the Portuguese Guarantee Scheme	Outstanding on 30.6.2013: 4.25	2008 - 2013[23]	Not applicable
CI	State guarantees issued under the Portuguese guarantee scheme on EIB lending	Maximum to be granted by 31.12.2013, per plan: 0.306	27.06.2013	Not applicable
CII	Guarantees for EIB funding to be granted as after 1 January 2014	Maximum to be granted in 2014-2017 per plan: 0.250	Not approved	Not applicable

(32) As explained in section 2.2, the aid was needed due to a combination of shocks, namely: (i) the persistence of an extraordinary adverse macroeconomic environment in Portugal; (ii) the adverse macroeconomic environment in Greece, which affected BCP through its Greek subsidiary exposure; (iii) a change in the regulatory environment by the EBA and the BoP; (iv) the transfer of BCP's pension fund to the General Social Security Scheme at the end of 2011 and the resulting shortfall; and (v) a sharply declining interest margin due to increasing funding costs and decreasing loan rates of the mortgage book.

[23] See footnote 18.

3. THE RESTRUCTURING PLAN

(33) BCP's restructuring plan is based on five main elements:

i. Focus on core activities and their restructuring;

ii. Deleveraging domestic non-core activities;

iii. Divesting the Greek and Romanian subsidiaries and loan portfolios of the operations in Switzerland and the Cayman Islands;

iv. Exiting the mutual fund management business and adopting an open architecture distribution model;

v. Repayment of the entire amount, i.e. EUR 3 billion of CoCos during the restructuring period.

(34) To ensure due implementation of the plan, the Portuguese authorities and BCP provided a series of commitments, which are presented in a separate document entitled *"Commitment catalogue (CASE SA. 34724 (2013/N)) Banco Comercial Português Group"* (the **"Commitment Catalogue")** that is annexed to the present decision.

3.1 Restoration of viability through refocusing on the core activities of BCP and their restructuring

(35) The primary measure of the restructuring plan is an analytical split of BCP's activities into two separate units, a Core Unit and a Non-Core Unit. The Core Unit and the Non-Core Unit will remain within the same legal entity, but will be managed separately.

(36) The **Core Unit** forms the basis of a sound and viable bank, focussing on BCP's retail business and corporates, in particular SME[24]. The main market in which BCP is active is the domestic market, which is still affected by the current macro-economic outlook. The banking operations in Portugal will continue to make up the largest share of the assets of the BCP Group, though their weight is projected to slightly decrease within the Core Unit, from 76% in 2012 to 68% in 2017. Internationally profitable and sustainably funded operations, in particular, in Poland, Angola, Mozambique and Macau were deemed to be core. The operations in the Cayman Islands and Switzerland will […] and function as deposit-gathering subsidiaries of the BCP Group. The subsidiaries in Angola, Mozambique and Poland will keep performing their current business strategy, focussing on retail customers, SME and large corporates.

(37) Restructuring of the Core Unit and of the operations in Portugal relies on the following factors:

i. *Reduction of wholesale fund dependence*: The restructuring plan envisages further deleveraging from the present LTD ratio of 123%, albeit at a slower

[24] A detailed description of the Core Unit is set out in the Commitment Catalogue.

pace in the future. It is centred on growth of on-balance sheet customer funds with the projected impact of funding ca. 100% of the BCP Group's lending activities with customer funds by 2017;

ii. *Boosting operating income*: BCP envisages increasing asset margins through rebalancing its mix of business (moving away from residential mortgages, and into SME and large corporates) and completion of a re-pricing exercise. On the liabilities side, the BCP Group plans a decrease in interest expenses due to the lower cost of customer funds, benefiting from a proactive re-pricing policy and an expected macro stabilization. It also expects to improve commissioning levels as a result of business mix rebalancing and implementation of several initiatives to curb leakage[25]. In accordance with the restructuring plan, as a result of the rebalancing of assets, mortgages in Portugal will fall from 41% of the total credit portfolio in 2012 to 36% in 2017 for total activities and from 48% to [35-40]% for the entire Core Unit including international operations. In the same period the share of lending to corporates, especially SME, is expected to increase significantly in the Core Unit. Total commissioning levels in Portugal are projected to increase from EUR 525 million[26] in 2012 to EUR [550-750] million in 2017.

iii. *Increasing operating efficiency*: Operational efficiency should mainly be achieved through a reduction of number of branches and employees. As a result, operating costs are projected to fall by [30-35]% by 2017 (compared with 2008-2011 average). In particular, for domestic operations, BCP undertakes to reduce staff expenses to EUR [350-400] million by 31 December 2015 and EUR [350-400] million by 31 December 2017. If the cost target is not met, the BCP Group will reduce its total number of full-time-equivalents ("**FTE**") so that they do not exceed [7,000 – 7,500] by 31 December 2017.[27] It also undertakes to reduce the number of branches so as not to exceed [650-700] branches by 31 December 2014 and not to go beyond that limit during the restructuring period[28]. For domestic operations, those changes represent a reduction in staff expenses of [25-30]% compared with 2011 (of [25-30]% compared with 2012), in staff numbers of up to [25-30]% and in branch numbers of [15-20]% compared with 30 June 2012.

iv. *Reducing credit delinquency by adopting strict limits to risk-taking*: BCP will focus on core lending activities, defined as such based on the level of risk-return deemed adequate by the BCP Group, following an in-depth evaluation and reform of its previous credit policy. In accordance with the restructuring plan and the Commitment Catalogue, BCP has already reshaped its risk management activities, will make further improvements and will conduct a commercial policy that is prudent, sound and oriented towards sustainability. It also expects the level of credit at risk to improve

[25] I.e. of commercial exemptions, by enforcing better commission controlling and decreasing the autonomy of the commercial networks as regards the level of commissioning.

[26] For comparability reasons, not considering (excluding) the negative effect of the State guarantee.

[27] See Commitment Catalogue paragraph 3.8.

[28] See Commitment Catalogue paragraph 3.6.

in line with a gradual shift of the economy (a slight improvement was already recorded in the first half of 2013[29]), although in the projections it nevertheless prudently envisages a continuous increase in credit at risk until 31 December 2017. The BCP Group will also provide for correct provisioning of the current and future portfolio[30].

3.2 Deleveraging domestic non-core activities

(38) As regards domestic operations, the **Non-Core Unit** was constituted based on an identification of loan portfolios that would have not been issued under the reformed credit policy. In particular, business lines with risk-return exposures that no longer fit the standards set by the BCP Group were included in the legacy portfolio and will no longer be pursued. The BCP Group no longer believes that it possesses the required set of skills to operate those business lines. The identification of those business lines was not based on the status of the loan (i.e. overdue). Products that no longer exist in the market have been included in the legacy portfolio, such as subsidised mortgages[31].

(39) Moreover, equity stakes of a non-strategic nature (of EUR [40-50] million) have been included as part of the Non-Core Unit.

(40) The BCP Group will discontinue and sell, close or hold to maturity the businesses, assets and liabilities allocated to the Non-Core Unit in accordance with the Commitment Catalogue.

(41) The size of the balance sheet of the Non-Core Unit will be reduced by [40-50]% between 2012 and 2017, to stand at a maximum level of EUR [10-12] billion in 2017.[32]

(42) At the same time, because the Non-Core Unit is run internally, there is an overriding principle of capital preservation. Respecting that principle entails, inter alia, allowing the BCP Group to retain flexibility to decide whether to sell, wind down or run down assets earlier to take advantage of market opportunities.

(43) Assets that have been allocated to the Non-Core Unit may not in any form be re-allocated to the Core Unit.

(44) As a general rule, there will be no new production in the Non-Core Unit except in the cases set out in the Annex 2 to the Commitment Catalogue so as to allow for a sale of business on a going concern basis, based on strict limitations.

(45) The restructuring plan provides for a total reduction of assets of [15-30]% (compared with 30 June 2012, excluding Non-Core Unit assets at the end of restructuring period). The deleveraging in the domestic market will mainly be done by a reduction in the loan portfolio (-[25-50]% between 2012 and 2017) and the portfolio of

---

29 See Table 1.

30 While in Portugal coverage of non-performing loans ("NPL") by impairments is expected to be [above 40]% during the restructuring period, coverage of those loans by both impairments and collaterals pledged against the specific non-performing loans (almost entirely consisting of real estate, subject to haircuts of up to 29% and exclusions) is projected to be [above 100%].

31 See Commitment Catalogue paragraph 3.18.

32 See Commitment Catalogue paragraph 3.19.

financial assets Available for Sale and Held-to-maturity (-[25-50]%). The deleveraging of the domestic loan portfolio will be concentrated in the sectors of Developers and Construction ([…] times, from EUR 1.4 billion to EUR [20-200] million) and Residential Mortgages (-[25-50]%), mainly through allocation to the Non-Core Unit where the loan book will be subject to natural maturing. The strong reduction in those loan portfolios will create more lending capacity for SME and large corporates, allowing BCP to continue supporting the Portuguese real economy and especially its productive sectors. BCP's domestic balance sheet will also be affected by a strong reduction in Eurosystem funding during the restructuring period, so as to achieve a more conservative and sustainable funding profile.

(46) In view of deleveraging of the loan portfolio and other effects detailed in Table 3, the volume of domestic RWA in BCP will fall by [25-50]% by 31 December 2017 (as compared to 30 June 2012).

Table 3: Summary of the effects on projected evolution of RWA, in billion EUR

RWA evolution	**2013**	**2014**	**2015**	**2016**	**2017**	**Total**
IRB[33]	- […]	- […]	-	- […]	-	- [5-10]
Credit protection	- […]	-	-	-	-	- [0-5]
Basel IIII	[…]-[…]	- […]	- […]	[…]	- […]	[0-5]
Sale of Greek operations	-	-	-	-	-	- [0-5]
Sale of other interests[34]	-	- […]	-	-	-	- [0-5]
Portfolio deleverage	- […]	- […]	- […]	- […]	- […]	- [0-5]
Optimisation[35]	[…]	- […]	- […]	- […]	-	- [0-5]
Other		- […]	0.0	- […]	[…]	- [0-5]
	- [5-10]	**- [0-5]**	**- [0-5]**	**- [0-5]**	**[0-5]**	**- [10-15]**

(47) Following that in-depth restructuring, the Group projects to post profits in 2017 of EUR [450-700] million (compared to a EUR 1,219 million loss in 2012), a cost-of-income ratio of [less than 50%] (compared to 67% in 2012) and capital ratios according to the EBA (CT1) and Basel III (Core Equity Tier 1 ("**CET1**") ratio) rules of [7-10]% and [6-9]% respectively (compared to 9.8 % on 31 December 2012 under

[33] Under the regulatory regime, banks are allowed to use their own estimated risk parameters for the purpose of calculating regulatory capital. It is known as the Internal Ratings-Based (IRB) Approach to capital requirements for credit risk. Only banks meeting certain minimum conditions, disclosure requirements and approval from their national supervisor are allowed to use that approach in estimating capital for various exposures. The figures given in Table 3 take account of the combined effects of IRB approval processes recently approved in Poland (EUR [0-5] billion, of which EUR […] million in 2013 and EUR […] billion in the first half of 2014, according to approval plan) and in Portugal (Advanced IRB for corporate exposure: EUR [0-5] billion in 2013 and EUR [0-5] billion in 2016).

[34] Romania and the loan portfolios of the Swiss and Cayman Islands operations.

[35] The optimisation effects are derived from (i) reinforcement of collaterals pledged to the current portfolio and the revised procedures for collaterals linked to new production and (ii) the lower level of […] arising from the on-going process of monitoring data inputs in the IT Systems.

the EBA rules and minimum required of 5.75% under Basel III). In the domestic market, BCP projects a return to profitability in 2015, and net income in 2017 of EUR [0-1000] million (for the Core Unit of EUR [500-1,000] million) compared to a EUR 1,096 million loss in 2012 and a cost-of-income ratio of [less than 50%] (compared to 69% in 2012).

3.3 Divestment of international operations and exiting the mutual fund management business

(48) The BCP Group decided to divest its Greek subsidiary, as it had been loss-making since 2010, considering that the macro-economic circumstances in Greece would not allow for a quick turn-around of the subsidiary.

(49) The sale was concluded on 19 June 2013, comprising the full exit of the BCP Group of its Greek exposure by selling its subsidiary to Piraeus Bank S.A. ("**Piraeus**") The sale comprised the following aspects:

i. The sale of 100% of the share capital of Millennium Bank Greece (**"MBG"**) combined with a contribution of EUR 413 million to the recapitalisation of MBG, which was completed through a total conversion of subordinated credits of EUR 167 million and partial conversion of senior credits of EUR 245.7 million from the BCP Group to MBG into equity. Within that process, a EUR 139 million tranche was converted in 2012. The sale agreement also included a liability cap for potential issues related to customary warranties, amounting to EUR [0-50] million.

ii. All remaining outstanding funding provided by the BCP Group to MBG has to be reimbursed in accordance with a scheduled projection, at the latest six months after the conclusion of the sale. The outstanding funding had to remain over-collateralised with investment-grade securities not correlated with Greek risk in order to limit the risks for the BCP Group.

iii. BCP Group participated in the recapitalisation of Piraeus at the same price as the Hellenic Financial Stability Fund with an aggregate amount of EUR 400 million. In accordance with the laws applying to the recapitalisation of the Greek banking sector, the BCP Group received one warrant for each share subscribed, granting it the right to buy back the shares held by the Hellenic Financial Stability Fund at a price incrementally higher than the initial investment price.

(50) In view of the commitments made by Portugal and the BCP Group in connection with the State aid used to recapitalise the BCP Group, BCP is prevented from acquiring equity stakes in other companies unless previously authorized by the Commission, the Finance Minister and the BoP, as noted in the European Commission Decision of 30 May 2012 on the Recapitalisation Scheme and provided for in paragraph 1.c of the Appendix to Decision No. 8840-B/2012 of the Minister of State and Finance of 28 June 2012.

(51) By letter of 11 March 2013 the BCP Group requested permission from the Commission to acquire the stake in Piraeus in order to close the sale of MBG, giving

further comments and clarifications by letter of 3 May 2013. By letter of 30 May 2013, the Commission gave its approval to the transaction, on the condition that BCP could restore its viability, provide adequate burden-sharing and take measures to mitigate any distortion of competition as required by the Communication on the return to viability and the assessment of restructuring measures in the financial sector in the current crisis under the State aid rules (**"the Restructuring Communication")**[36].

(52) The BCP Group commits to sell its stake in Piraeus as soon as possible in accordance with the terms of the investment and custodian agreements entered into by it and Piraeus on 19 June 2013, and not later than three years after the deal and by 19 June 2016 at the latest. Furthermore, BCP commits not to acquire any influence over MBG and or Piraeus for 10 years after the full sale of its stake in Piraeus[37].

(53) The terms of the divestment of non-core international operations and of the mutual fund management business ("**MGA**") are set out in Table 4.

Table 4: Non-Core Unit entities and equity holdings to divest

ENTITIES / EQUITY HOLDINGS TO DIVEST	DEADLINE FOR STAGE 1 (BCP-LED DIVESTMENT)	STAGE 2	STAGE 3	TIME FRAME FOR NEW PRODUCTION
MBG	30 June 2014	Not applicable, as this Commitment was fulfilled on 19 June 2013	-	-
Piraeus	19 June 2016	Not applicable under existing contractual arrangements[38]	-	-
MGA	[…]	[…]	-	New production allowed up until […]. Total assets under management not to exceed EUR [1.5-2] billion by […]
Loan books of BCP Cayman Islands and BCP Switzerland	[…]	Portfolios placed in […]	-	New production allowed up until […]. Cayman gross loans not to exceed EUR [100-200] million by […]. Swiss gross loans not to exceed EUR [250-500] million by […].
BCP Romania	[…]	Divesture trustee to complete the sale within […]	[…]	New production allowed according to business plan up until […]

36 OJ C 195, 19.8.2009, p. 9.

37 The latter commitment was provided in a separate letter accompanying the Commitment Catalogue.

38 For further details see Appendix 2 to the Commitment Catalogue.

3.4 Repayment of CoCos

(54) Under the Commitment Catalogue, BCP commits to the following repayment schedule of the CoCos[39]:

i. EUR [300-600] million by 31 December 2014;
ii. EUR [500-1,000] million by 31 December 2015;
iii. EUR [500-1,000] million by 31 December 2016;
iv. EUR [600-1,300] million by 30 June 2017.

(55) BCP also commits to meet an even more rigorous schedule of repaying EUR 2.3 billion of the CoCos by 31 December 2016. If it does not meet that target, BCP will sell its equity holding in BCP Poland within […], i.e. by […]. If the equity holding in BCP Poland is not sold by that latter deadline, a Divestiture Trustee will be appointed in order to complete the sale within […], i.e. by […], […] with the aim of maximising value for BCP.

(56) If a Divestiture Trustee is appointed, the restructuring period and all the commitments whose deadline is the end of the restructuring period or 31 December 2017 will be prolonged until the end of the Divestiture Trustee's mandate. The Divestiture Trustee's mandate will be considered fulfilled on the date when the sale of the full equity holding of BCP in BCP Poland has been closed.

(57) Taking into consideration a contingent sale of BCP Poland, the restructuring plan would provide for an additional significant reduction of total assets of the BCP Group (upon a preliminarily estimation with that contingent measure the total reduction of assets may reach [20-40]% compared with 30 June 2012). Without a sale of BCP Poland, the restructuring plan provides for a total reduction of assets of [15-30]% (compared with 30 June 2012).

3.5 Financial projections in the base and scenario

(58) Table 5 presents the main financial projections as set out in the restructuring plan in the base scenario.

(59) In accordance with the financial projections in the base scenario, the BCP Group will repay the entire amount of CoCos of EUR 3 billion by 31 December 2017.

[39] See paragraph 3.30 of the Commitment Catalogue.

Table 5: Key financial projections for the years 2013 – 2017 in the base scenario compared with actual figures of 2012

P&L	2012 (Actual)	2013		2014		2015		2016		2017		evolution rate 2012-2017		CAGR[40]	
	Group	Core	Group	Core	Group	Core	Group	Core	Group	Core	Group	Core	Group	Core	Group
Net income (mln EUR)	-1,219	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[500-1,000]	[0-1,000]				
Cost-to-Income Ratio	67%	[…]%	[…]%	[…]%	[…]%	[…]%	[…]%	[<50]%	[<50]%	[<50]%	[<50]%				
FTE	20,365	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[15,000-20,000]	[15,000-20,000]	[…]%	[…]%	[…]%	[…]%
Branches	1,699	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[1,200-1,600]	[1,200-1,600]	[…]%	[…]%	[…]%	[…]%
Return on equity ("ROE")[41]	-35%		[…]%		[…]%		[…]%		[>=10]%		[>=10]%				

Balance Sheet	2012 (Actual)	2013		2014		2015		2016		2017		evolution rate 2012-2017		CAGR	
Assets	Group	Core	Group	Core	Group	Core	Group	Core	Group	Core	Group	Core	Group	Core	Group
Loans to clients (mln EUR)	62,711	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[<50,000]	[<60,000]	[…]%	[…]%	[…]%	[…]%
NPLs (mln EUR)	7,528	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]%	[…]%	[…]%	[…]%
Total assets (mln EUR)	89,690	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[<75,000]	[…]	[…]%	[…]%	[…]%	[…]%
RWA (mln EUR)	53,271	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[<45,000]	[…]%	[…]%	[…]%	[…]%

40 Compound Annual Growth Rate.

41 ROE only calculated at group level, as the Core-Unit will not be a separate entity.

Liabilities	2012 (Actual)	2013		2014		2015		2016		2017		evolution rate 2012-2017		CAGR	
	Group	Core	Group	Core	Group	Core	Group	Core	Group	Core	Group	Core	Group	Core	Group
Central Bank Funding (mln EUR)	12,400	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[<3,000]	[<3,000]	[…]%	[…]%	[…]%	[…]%
Deposits (mln EUR)	48,973	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]%	[…]%	[…]%	[…]%
Total Liabilities (mln EUR)	85,693	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]%	[…]%	[…]%	[…]%
LTD	128%	[…]%	[…]%	[…]%	[…]%	[…]%	[…]%	[…]%	[…]%	[80-100]%	[90-110]%				

Capital	2012 (Actual)	2013		2014		2015		2016		2017	
	Group	Core	Group	Core	Group	Core	Group	Core	Group	Core	Group
EBA CT1 (mln EUR)	5,201		[…]		[…]		[…]		[…]		[…]
Basel III CET1 (mln EUR)			[…]		[…]		[…]		[…]		[…]
EBA CT1	9.8%		[>9]%		[>9]%		[>9]%		[>9]%		[>9]%
Basel III CET1			[>5.75]%		[>5.75]%		[>5.75]%		[>5.75]%		[>5.75]%

3.6 The stress test and the financial projections in the adverse scenario

(60) The BCP Group also undertook a bottom-up stress test exercise which had been prescribed and has been verified by the BoP. It included a severe macro-economic scenario and strict limitations on the access to the financial markets in order to identify the capital needs over a three-year time period (2013-2015), extended by the BCP Group until 31 December 2017 so as to cover the entire restructuring period. That exercise was designed to assess the current challenges of the Portuguese banking system, with conservative assumptions and an execution under the control of the BoP.

(61) According to the restructuring plan, the adverse scenario fully complies with the constraints set by the BoP for 2012-2015, including SIP and OIP results[42].

(62) As a result of the developments projected under the stress test exercise and in the adverse scenario, the BCP Group would need to modify the repayment plan for the CoCos over the restructuring period and would not be able to meet the commitments related to the repayment plan for the CoCos solely from the internally generated capital. In particular, the financial projections in the adverse scenario foresee a repayment of CoCos of only EUR [500-1,000] million by 31 December 2017. Under such a modified repayment plan for the CoCos, the BCP Group projects not to fall below a Basel III CET1 of [6-8]% by 31 December 2017, which is above the minimum required. In any case, the BCP Group would not need additional recapitalisation measures from the State.

(63) If necessary to meet its commitments, the BCP Group expects that it would be able to raise additional private capital although it does not envisage that it would have to do so.

4. POSITION OF THE PORTUGUESE AUTHORITIES

4.1 Position of the Portuguese authorities on the restructuring plan

(64) The Portuguese authorities acknowledge that the State recapitalisation and guarantee measures constitute State aid.

(65) The Portuguese authorities consider that the State aid measures are: (i) appropriate and well-targeted; (ii) necessary and limited to the minimum amount necessary; and (iii) proportionate as designed to minimize negative spill-over effects on competitors.

---

42 The Economic and Financial Assistance Programme agreed in May 2011, with the International Monetary Fund, the European Commission and the European Central Bank, defined a set of measures and actions to be taken by the Portuguese authorities concerning the financial sector, including the implementation of a solvency and deleveraging assessment framework for the eight largest national banking groups. In that context, the BoP was given the responsibility of developing a programme of special on-site inspections to validate the data on assets that these banking groups provide as inputs to their solvency assessments.
In that regard, the Special Inspections Programme (SIP) was launched, comprising three dedicated work-streams. They focused on impairments (WS1), credit risk RWA calculation (WS2) and the banks' stress testing methodology (WS3). WS1 and WS2 were completed in early December 2011 and WS3 was completed in February 2012. Taking into account the findings of WS1 and WS3, as well as the macroeconomic conditions, the BoP decided to perform another inspection programme – the OIP – in 2012, focused on construction and Commercial Real Estate (CRE) exposures.
Those programmes have confirmed whether the assessed assets were correctly valued. Where impairment insufficiencies were identified, banks were requested to restore their provisions to prudent levels. Additionally, the programmes allowed the identification of management and control best practices. By benchmarking each institution against such best practices, banks were requested to adopt corrective measures to overcome the identified shortcomings. Rigorous implementation plans have been put in place and are regularly followed-up.

(i) *Appropriate and well-targeted*. The Portuguese authorities consider that the BCP Group, being the largest privately-owned banking group in Portugal and the second-largest in terms of total assets, loans to customers and customer deposits, is systemically important within the Portuguese financial system.

(ii) *Necessary and limited to the minimum amount.* The Portuguese authorities state that the State aid measures are necessary to bring the BCP's solvency position in line with the solvency requirements applicable in Portugal. In addition, they are limited in size to ensure that BCP meets a solvency ratio of 10% CT1 as required by the BoP and of [5-10]% CT1 under an adverse scenario as determined in the stress test as prescribed and verified by the BoP. Finally, the Portuguese authorities observe that the State aid measures are limited in time since they form part of the restructuring plan that should lead to repayment of the State aid received by 2017.

(iii) *Proportionate*. The Portuguese authorities consider that the terms and conditions of the State aid measures together with the terms and conditions imposed on BCP in the restructuring plan contain a sufficiently extensive range of safeguards against possible abuses and distortions of competition.

4.2 Commitments of the Portuguese authorities

(66) Portugal has undertaken a number of commitments related to the implementation of the restructuring plan, which have been presented in the Commitment Catalogue. Portugal is to ensure that the commitments contained in the Commitment Catalogue are fully observed during the restructuring period.

(67) Furthermore, in order to ensure that the various commitments are duly implemented, the Portuguese authorities commit to appoint a monitoring trustee ("**the Monitoring Trustee**") in charge of monitoring all the commitments undertaken by the Portuguese authorities and BCP towards the Commission and of the due implementation of the restructuring plan by BCP. The Monitoring Trustee will be appointed by BCP, and must be endorsed by the Commission. The Monitoring Trustee must be independent of BCP and be remunerated by BCP. The Monitoring Trustee will report to the Commission.

(68) If the sale of the Romanian subsidiary has not been completed by […] or if the sale of the Polish subsidiary is deemed necessary and is not carried out by […], a Divestiture Trustee will be appointed, in line with the Commitment Catalogue.

5. ASSESSMENT

5.1 Existence of State Aid

(69) According to Article 107(1) of the Treaty, any aid granted by a Member State or through State resources in any form whatsoever which distorts or threatens to distort competition by favouring certain undertakings or the production of certain goods shall, in so far as it affects trade between Member States, be incompatible with the internal market.

(70) Measures A, B and CI have been granted under national schemes: Measure A, the recapitalisation measure, was granted under the Recapitalisation Scheme, Measure B, the guarantee on unsecured debt, was granted under the Guarantee Scheme and

Measure CI, the guarantees on EIB lending to be granted before 31 December 2013, under the Portuguese Guarantee Scheme on EIB lending. All measures granted in line with those schemes constitute State aid.

(71) The Commission observes that Measure CII, the guarantees on EIB lending that may be granted after the period for which the Commission has approved the operation of the Portuguese Guarantee Scheme on EIB lending, also constitutes State aid. In a similar fashion to that scheme, Measure CII is devised as a single mechanism, covering both existing and new exposures of a portfolio of revolving credits. The guarantees under Measure CII cannot be separated into guarantees for existing exposures and those for new exposures, as they cover a portfolio of revolving credits. Although the terms and conditions of Measure CII may not give rise to an advantage in relation to the new exposures, in relation to the existing exposures there is certainly an advantage stemming from the fact that BCP would not need to post additional collateral or to stop the provision of guarantees, which otherwise would have been required under the existing contractual arrangements with the EIB. It is therefore not necessary to pronounce on the existence of an advantage in relation to the new exposures.

(72) The guarantees under Measure CII are to be provided by Portugal and thus involve State resources. Those guarantees as notified confer a selective advantage to the BCP Group, by enabling it to receive them on more favourable terms than on the market. The BCP Group is internationally active, competing with other banks in Portugal and other countries. Accordingly, those guarantees could distort competition and affect trade between the Member States. The Commission therefore finds that Measure CII also constitutes State aid within the meaning of Article 107(1) of the Treaty.

(73) For the purpose of the present decision, the BCP Group is the beneficiary of the aid.

5.2 Compatibility of the aid with the internal market

(74) As regards the compatibility of the aid provided to BCP, the Commission must determine, first, whether the aid can be assessed under Article 107(3)(b) of the Treaty, i.e. whether the aid remedies a serious disturbance in the economy of Portugal. Subsequently, the Commission, using that legal basis, must assess whether the proposed measures are in line with the internal market.

5.2.1 Legal basis for the compatibility of the aid

(75) Article 107(3)(b) of the Treaty empowers the Commission to find that aid is compatible with the internal market if it serves "*to remedy a serious disturbance in the economy of a Member State*". Despite a slow economic recovery that has taken hold since the beginning of 2010, the Commission still considers that the requirements for State aid to be approved pursuant to Article 107(3)(b) of the Treaty continue to be fulfilled in view of the persisting stress in financial markets. In July 2013 the Commission confirmed that view by adopting the Communication from the Commission on the application, from 1 August 2013, of State aid rules to support measures in favour of banks in the context of the financial crisis[43].

(76) In respect of the Portuguese economy that assessment was confirmed in the Commission's various approvals of the measures undertaken by the Portuguese authorities to combat the financial crisis. In particular, the Commission has

[43] OJ C 216, 30.7.2013, p. 1, see in particular point 6.

acknowledged in its recent approval of the prolongation of the Portuguese Guarantee Scheme[44] that there is a continuous threat of serious disturbance in the Portuguese economy and that State support of banks is suitable to remedy that disturbance. The Commission noted that the Portuguese banking system faces severe difficulties at present, as a result of the fact that some of the Portuguese banks are highly leveraged, have high loan-to-deposit ratios, and have had to cope with an increasing ratio of non-performing loans. The Commission furthermore notes that Portugal receives financial assistance from the euro area Member States, part of which is earmarked for the support of Portuguese banks[45].

(77) Given the systemic importance of BCP – being one of the leading banks in Portugal – and the significance of its lending activities for the Portuguese economy, the Commission accepts that its failure to satisfy strengthened capital requirements would have entailed serious consequences for the Portuguese economy.

(78) In view of the current situation of the Portuguese economy and banks' widespread lack of access to international and wholesale funding markets, the Commission considers that the requirements for State aid to be approved pursuant to Article 107(3)(b) of the Treaty are fulfilled.

5.2.2 Compatibility of the aid with the Restructuring Communication

(79) Measures A, CI and CII are provided in the context of the restructuring of the BCP Group. As regards Measure B, the Commission recalls that, as indicated in the Annex to the Restructuring Communication, any restructuring plan should contain all State aid received as individual aid or under a scheme during the restructuring period. The Communication on the return to viability and the assessment of restructuring measures in the financial sector in the current crisis under the State aid rules ("Restructuring Communication")[46] sets out the rules applicable to the granting of restructuring aid of financial institutions in the current crisis. According to the Restructuring Communication, in order to be compatible with the internal market under Article 107(3)(b) of the Treaty, the restructuring of a financial institution in the context of the current financial crisis has to (i) lead to the restoration of the viability of the bank, (ii), include sufficient own contribution by the beneficiary (burden-sharing) and ensure that the aid is limited to the minimum necessary and (iii) contain sufficient measures limiting the distortion of competition.

Restoration of viability

(80) As the Commission sets forth in its Restructuring Communication the Member State concerned needs to provide a comprehensive restructuring plan which shows how the long-term viability of the beneficiary will be restored without State aid within a reasonable period of time and within a maximum of five years. Long-term viability is achieved when a bank is able to compete in the marketplace for capital on its own merits in compliance with the relevant regulatory requirements. For a bank to do so, it must be able to cover all its costs and provide an appropriate return on equity, taking into account the risk profile of the bank. The return to viability should mainly derive from internal measures and be based on a credible restructuring plan.

---

44 See footnote 18.

45 See press release 10191/11 of the Council of the European Union, 17.05.2011, http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ecofin/122072.pdf

46 OJ C 195, 19.08.2009, p. 9.

(81) The Portuguese authorities have submitted a restructuring plan for the BCP Group with a five-year time span going up to 2017 and showing a return to viability at the end of the restructuring period.

(82) Point 10 of the Restructuring Communication requires that the proposed restructuring measures constitute a remedy to the beneficiary's weaknesses. In that regard, the Commission notes that the restructuring plan addresses the core weakness of the BCP Group, namely the overall weak profitability of its domestic banking operations, which represent ca. 75% of its activities. Furthermore, loss-making international activities of BCP are to be divested or […] during the restructuring period, namely operations in Greece and Romania and lending operations in Switzerland and the Cayman Islands.

(83) In particular, the Commission agrees with the BCP's conclusion that the macro-economic circumstances in Greece did not allow for a quick turn-around of the subsidiary. Given the difficult macroeconomic context in BCP's main domestic market, the Commission views positively that the restructuring plan envisages the BCP Group's complete exit from Greece by a sale of its Greek subsidiary (implemented to date) and elimination within three years of its newly acquired exposure to the country through its investment in Piraeus, by 19 June 2016[47].

(84) The weak results of the BCP Group's domestic activities can only partly be offset by the positive performance of its remaining profitable international operations, although on average they have shown in the past and currently still show a positive ROE. In 2012, for example, the banking activities in Angola achieved a ROE of 18%, those in Mozambique a ROE of 27% and in Poland of 10%. In comparison, the banking activities of BCP in Portugal achieved a ROE of -55% in 2012. As the international activities contribute positively to the overall economic situation of the Group but only represent a small part of the activities, the restructuring plan focusses on improving the profitability of the domestic operations.

(85) As regards restructuring of the BCP Group's domestic operations, first, the segregation of the loans and other assets which do not provide adequate risk compared with return opportunities to the BCP Group (namely related to the real estate development sector and land acquisition (including commercial real estate), securities-backed lending, national construction companies, football clubs and highly-leveraged secured lending) into the Non-Core Unit and discontinuation of new lending in those business segments is an adequate response to the high level of non-performing loans and losses incurred during the crisis. That refocusing of the business will also allow the BCP Group to adequately adjust to the new economic context in Portugal. Henceforth, the BCP Group will focus on its core activities, in particular the new production of loans to its corporate and retail clients and thus will keep a steady flow of lending towards the real economy and especially to the most productive sectors thereof.

(86) Instead of an outright sale, the BCP Group will use the Non-Core Unit as a run-off vehicle to maximise the value of non-core assets through orderly disposals and winding down.

(87) Second, the Commission observes that BCP has undertaken a significant overhaul of strategy to strengthen its corporate governance management, most notably on risk management practices and controls.

(88) Third, the Commission notes positively that in order to counter significantly reduced

[47] See Table 4.

gross margins and a resulting steep increase in cost-to-income ratio (to 69% in 2012), BCP will cut its costs significantly by reducing its branch network (by [15-20]%) and staff costs (by [25-30]%). From the Commission's point of view, the targeted downsizing appropriately adjusts BCP's domestic presence to the market requirements, while on the whole maintaining an adequate service level to clients.

(89) The Commission furthermore notes that the improvement of BCP's operational efficiency will also be achieved by increasing asset margins through rebalancing of the mix of assets and completion of the re-pricing exercise, as well as through an increase in the income from services and commissions. Moreover, the BCP Group plans to focus its activities on the corporate segment, where growth rates are higher and in which it intends to carefully select borrowers. Those measures are justified and achievable, considering that the BCP Group has sufficient control over the applicable interest and fee structures and asset mix.

(90) The restructuring plan projects that those efforts as well as an increase in income will allow the BCP Group to reduce its cost-to-income ratio in domestic operations to [less than 50]%.

(91) Fourth, the Commission notes positively that the BCP Group commits to a cap of EUR [7-11] billion on […] debt investments during the initial phase of the restructuring period and to decrease them to EUR [6-10] billion by 31 December 2017, which will adequately limit the risk from such investments.

(92) At the end of the restructuring period, the BCP Group projects to be able to cover all its costs and provide an appropriate ROE of [>=10]% at group level (of [>=10]% in Portugal).

(93) The Commission considers the BCP Group's restructuring plan to be credible despite the current difficult economic situation of Portugal. The turnaround of the BCP Group's banking operations in Portugal constitutes a significant element in its plan in order to achieve a positive overall profitability within a short timeframe. In that respect and in view of the significant losses recorded in recent years, the Commission considers that the restructuring of those operations in the current macroeconomic context will be difficult but at the same time acknowledges that the BCP Group has a wide range of measures within its control to achieve it, if those outlined in recitals (85) to (91) prove insufficient.

(94) From the Commission's point of view it is, however, necessary to reinforce the objective of achieving a turnaround of the operations in Portugal within the restructuring period. For that reason, the Commission deems it essential that Portugal and the BCP Group have given a series of commitments including that of reaching a ROE of at least [4-8]% by 31 December 2015 and of 10% on 31 December 2016 and on 31 December 2017.

(95) In view of that safeguard and other measures outlined in recitals (85) to (91), the Commission accepts the plan as credible.

(96) According to point 13 of the Restructuring Communication, the restructuring plan should address the requirements emerging from a stress test exercise and ensure that the entity is sufficiently and adequately capitalised. BCP undertook the stress test exercise as prescribed and verified by the BoP, which included a severe macro-economic scenario and strict limitations on the access to the financial markets in

order to identify the capital needs over a three-year time period (2013-2015). That exercise was designed to assess the current challenges of the Portuguese banking system, with conservative assumptions and an execution under the control of the BoP.

(97) According to the restructuring plan, the adverse scenario fully complies with the constraints set by the BoP for 2013-2015, including SIP and OIP results.

(98) If as a result of the developments projected under the stress test exercise and in the adverse scenario the BCP Group had to modify the repayment plan for the CoCos over the restructuring period and would only repay EUR [500-1,000] million of CoCos by 31 December 2017, the BCP Group still projects to reach a Basel III CET1 ratio not to fall below a Basel III CET1 of [6-8]% by 31 December 2017.

(99) Finally, the restructuring plan provides information on the future funding profile of BCP. It factors in conservative assumptions in terms of the evolution of deposits and of reliance on wholesale and central bank sources. At the end of the restructuring period, the BCP Group will have a LTD ratio of 107% while the Core Unit's ratio will be below [90-110]%, and reliance on the central bank funding at the group level will have reduced by ca. [80-100]% (from EUR 12 billion to EUR [<3] billion).

(100) The Commission therefore considers that the implementation of the restructuring plan, which involves a reduction of the balance sheet and hence of funding needs, as well as of its target LTD ratio, and reduction of reliance on the central bank, will ensure a conservative funding profile for BCP. Furthermore, as a safeguard, in line with the Commitment Catalogue the BCP Group, including both the Core and Non-Core Unit, will achieve a maximum LTD ratio of 120% on 31 December 2015, 31 December 2016 and 31 December 2017 and significant deviance above that target will be avoided during the year.

(101) As regards the effects of the deleveraging of the BCP's balance sheet on the real economy, the Commission furthermore observes that the restructuring plan is well balanced and carefully avoids producing negative effects on the recovery of the Portuguese economy, since it allows for an increase of lending to the productive sectors of the Portuguese economy. In the same vein the Commission takes note of the commitment by BCP vis-à-vis the Portuguese Government to allocate EUR 30 million per year in a fund that will invest in equity of Portuguese SME and mid-cap corporates in view of securing financing to and deleveraging of the real economy. The investments of that fund are not subject of this decision. Such investments will not involve the acquisition of equity stakes in competing businesses, and the Commission also considers that they do not constitute market-distorting activities within the meaning of point 23 of the Restructuring Communication. There is nothing in that commitment which can give rise to an additional advantage to BCP, and therefore the Commission does not need to consider further the status of that commitment in the present decision.

Aid limited to the minimum necessary, own contribution

(102) The Restructuring Communication indicates that an appropriate contribution by the beneficiary is necessary in order to limit the aid to a minimum and to address distortions of competition and moral hazard. To that end, it provides that (i) both the restructuring costs and the amount of aid should be limited and (ii) a significant own contribution is necessary.

(103) The restructuring plan does not contain any elements that suggest that the aid, which sought to cover the identified capital shortfall, exceeds the means required to restore long-term viability. In particular, it provides for […]% above minimum regulatory requirements in the adverse scenario in 2017.

(104) According to point 34 of the Restructuring Communication, adequate remuneration of any State intervention is one of the most appropriate limitations of distortions of competition. The Commission notes in that context that the capital provided in the form of CoCos is adequately remunerated, in line with the guidelines of the Commission and the ECB[48]. The remuneration of the CoCos starts at an initial 8.5% for the first year and will with step-ups increase over time, resulting in an average remuneration of 9% over the investment period.

(105) In the same vein, the guarantees under Measure B and CI are also adequately remunerated so as to provide sufficient incentives to the bank to repay the State-guaranteed liabilities as soon as possible, as also demonstrated by the significant reduction of State-guaranteed liabilities to date. As regards Measure CII, it can also be considered as adequately remunerated for as long as the same methodology for fixing the guarantee fee will be applied.

(106) The Commission positively observes that BCP has committed to a rigorous repayment schedule of the CoCos[49].

(107) It is furthermore important to recall that if BCP is not able to repay CoCos to the amount of EUR 2.3 billion (77%) by 31 December 2016, the sale of the Polish subsidiary will free regulatory capital and hence make it more likely that BCP will have excess capital that can be used for the repayment of the CoCos, thus also contributing to the restructuring costs by its own means.

(108) In addition, the Commission notes that Portugal has committed to a ban on dividend, coupon and interest payments[50].

(109) The Commission notes that BCP has already started carrying out and will continue implementing cost-cutting measures by in particular reducing its headcount and branch network in Portugal and will divest or run down a significant share of non-core assets, and thereby contributes to the restructuring costs through internal measures.

(110) Furthermore, the Commission notes positively that 14% of the capital shortfall was provided by the private investors[51].

(111) For those reasons, the Commission concludes that the restructuring plan ensures that the aid is limited to the minimum necessary and provides for an appropriate own contribution and burden-sharing.

Limiting distortion of competition

(112) Finally, section 4 of the Restructuring Communication requires that the restructuring plan contains measures limiting distortions of competition. Such measures should be tailor-made to address the distortions on the markets where the beneficiary bank operates post-restructuring. The nature and form of such measures depend on two

---

48 ECB Governing Council recommendations on the pricing of recapitalisations of 20 November 2008.

49 See recitals (54).-(56).

50 See Section 4 of the Commitments.

51 See recital 26.

criteria: first, the amount of the aid and the conditions and circumstances under which it was granted and, second, the characteristics of the markets on which the beneficiary will operate. Furthermore, the Commission must take into account the extent of the beneficiary's own contribution and burden-sharing over the restructuring period.

(113) The Commission recalls that BCP has received State aid in the form of a capital injection in an amount of EUR 3 billion, which is equivalent to 5.4 % of BCP's RWA.[52] However, whilst the relative amount of aid to the beneficiary is large, it needs to be positively taken into account that i) BCP pays an adequate remuneration in accordance with the Recapitalisation Scheme and commits to repay all CoCos by the end of restructuring period; and that ii) BCP has committed to an even more rigorous schedule of repayments linked to the potential sale of the BCP Poland.

(114) The Commission acknowledges that the contribution of the Polish subsidiary to the recovery and restructuring of the group is sizeable in terms of profits and capital ratios, particularly during the first years of the restructuring plan (2013-2015). However, as a measure to avoid distortion of competition, BCP commits to sell its operations in Poland if it does not repay by 31 December 2016 a substantial amount of the State aid received (EUR 2.3 billion, 77%). If BCP Poland is sold, BCP's assets may, according to a preliminary estimation, be reduced in total by [20-40]% (compared with 30 June 2012). Given the significance of the contingent divestment and profitability track record, the Commission considers it to be an adequate measure to limit distortions of competition in case of delayed repayment of the CoCos.

(115) In particular, to implement the measure, BCP will sell its equity holding in BCP Poland within […] if BCP does not repay EUR 2.3 billion of CoCos to the State by 31 December 2016. A divestiture trustee will be appointed in order to complete the sale […]. If BCP does not comply with the repayment schedule and the equity holding in BCP Poland is not divested either by BCP or the divestiture trustee by […], the restructuring period will be extended up to the date of such divestment which must occur at the latest by […].

(116) Furthermore, the downsizing of BCP in terms of total assets (which, without the contingent sale of the Polish operations, is by [15-30]%), RWA (by [30-50]%), business segments, staff and branches as well as its exit from the mutual fund management business and adoption of an open architecture distribution model constitute important measures that will limit distortions of competition.

(117) In addition to those structural measures, Portugal also committed to several behavioural constraints. The Commission takes note of those behavioural commitments set out in Section 4 of the Commitment Catalogue, such as a ban on advertising State support and a ban on aggressive commercial practices, preventing BCP from using the aid for anti-competitive market conduct. It in particular welcomes an acquisition ban, which ensures that the State aid will not be used to take over competitors, but that it will instead serve its intended purpose, namely to restore BCP Group's viability. The behavioural constraints will apply to the BCP Group during the Restructuring Period, i.e. until 31 December 2017 or, if the restructuring period is prolonged in line with the Commitment Catalogue in relation to the contingent sale of BCP Poland, until […] or the date on which the sale deal for BCP Poland has been closed.[53]

---

[52] RWA as of the relevant reference date when the aid measure was granted. For the purposes of evaluating the measures taken to limit distortions of competition, the Commission does not make reference to State aid in the form of funding measures.

[53] See recital (56).

(118) Altogether, the Commission considers the measures appropriate as compared to the distortions of competition stemming from the amount of aid received.

5.3 Monitoring

(119) Pursuant to section 5 of the Restructuring Communication, regular reports are required to allow the Commission to verify that the restructuring plan is being implemented properly.

(120) Moreover, the correct implementation of the restructuring plan and the full and correct implementation of all commitments contained in the Commitments will be continuously monitored by an independent, sufficiently qualified Monitoring Trustee.

5.4 Conclusion on the compatibility of the aid measure

(121) The Commission finds that the restructuring aid in favour of the BCP Group is compatible with the internal market for reasons of financial stability on the basis of Article 107(3)(b) of the Treaty, in light of the commitments set out in the Commitment Catalogue annexed to this decision.

6. CONCLUSION

The Commission has accordingly decided to consider the aid to be compatible with the internal market.

The Commission notes that Portugal exceptionally accepts that the adoption of the decision be in the English language.

If this letter contains confidential information which should not be disclosed to third parties, please inform the Commission within fifteen working days of the date of receipt. If the Commission does not receive a reasoned request by that deadline, you will be deemed to agree to the disclosure to third parties and to the publication of the full text of the letter in the authentic language on the Internet site:

http://ec.europa.eu/competition/elojade/isef/index.cfm.
Your request should be sent by registered letter or fax to:

European Commission
Directorate-General for Competition
State Aid Greffe
B-1049 Brussels
Fax No: (+32)-2-296.12.42

Yours faithfully,
For the Commission

Joaquín ALMUNIA
Vice-President

Commitment catalogue (CASE SA. 34724 (2013/N))

Banco Comercial Português Group

1. BACKGROUND

1.1 This document ("**Commitment catalogue**") sets out the terms and the committed targets ("**the Commitments**") for the restructuring of Banco Comercial Português Group (**"BCP"** or the "**Bank**"), which the Portuguese Republic and BCP have committed to implement.

1.2 In respect to subsidiaries not wholly owned and controlled by BCP, BCP shall take the measures available to it, notably within the scope of their respective corporate bodies, with a view that such subsidiaries comply with the applicable Commitments, subject always to the relevant fiduciary duties with respect to any third parties.

2. DEFINITIONS AND ABBREVIATIONS

2.1 In the Commitment catalogue, unless the context requires otherwise, the singular shall include the plural (and vice versa) and the capitalised terms used herein have the following meanings:

Term	Meaning
BCP Cayman Islands	Millennium bcp Bank & Trust, a subsidiary of the BCP Group, located on the Cayman Islands.
MBG	Millennium Bank, S.A. (Greece), a subsidiary of the BCP Group, located in Greece.
BCP Poland	Bank Millennium S.A. (Poland), a subsidiary of the BCP Group, located in Poland.
BCP Romania	Banca Millennium S.A. (Romania), a subsidiary of the BCP Group located in Romania.
BCP Switzerland	Banque Privée BCP (Suisse) S.A., a subsidiary of the BCP Group, located in Switzerland.
BoP	Banco de Portugal
CIR	means the ratio of operating expenses (administrative costs, such as labour cost, materials and depreciations) to operating income (the sum of interest surplus, commission income, the trading result and any other income from operations)

Term	Meaning
Control	means control as defined under International Accounting Standard 27 ("IAS 27") or any other accounting standard established by the International Accounting Standards Board (IASB) to replace IAS 27.
Core Regions	has the meaning set out in paragraph 3.11.
Core Unit	means the unit including BCP's banking business undertaken by banking operations under its Control in its Core Regions and the rest of the assets and liabilities set forth in paragraph 3.11 herein, excluding the Non-Core Unit.
Decision	means the decision of the European Commission approving State aid granted to BCP and BCP's Restructuring Plan, of which these Commitments are an annex.
Divestiture Trustee	has the meaning set out in paragraphs 3.16 and 3.27 and Appendix 1.
FTE	means Full-Time Equivalent, a unit that indicates the workload of an employee included in the payroll of BCP Group (e.g., 1.0 FTE means that the person is equivalent to a full-time employee).
Hybrids	means the Core Tier 1 hybrid capital instruments issued in June 2012 by BCP in the total aggregate amount of EUR 3,000 million and subscribed for by the Portuguese State under the recapitalisation scheme for credit institutions in Portugal established in Law No 63-A/2008 of 24 November 2008 and Ministerial Order (*Portaria*) No 150-A/2012 of 17 May 2012.
LTD	means loan to deposit ratio, to be calculated in accordance with the method defined by BoP.
MGA	Millennium bcp Gestão de Activos – Sociedade Gestora de Fundos de Investimento, S.A.
Ministerial Decision	Ministerial Decision (*Despacho*) No 8840-B/2012, of 28 June 2012, of the Portuguese Minister of State and Finance, approving BCP's recapitalisation.
Monitoring Trustee	has the meaning set out in paragraph 5 and Appendix 3.
Non-Core Unit	means the unit including BCP's banking business and the assets and liabilities set forth in paragraphs 3.18and 3.25 herein.
Non-Recourse	means asset-backed lending, where the borrower is not personally liable towards the

Term	Meaning
Lending	Bank for debt service. The cash flows obtained from the pledged assets, including potentially from the sale of such assets, are the only resources available to service the debt.
NPV	means Net Present Value of an asset or liability taking into account all appropriate market parameters that influence it. It contrasts to the accounting value of the asset or liability.
Piraeus	Piraeus Bank, S.A., incorporated under the laws of the Hellenic Republic, with registered office at 4, Amerikis St., 105 64 Athens, Greece.
Proprietary Trading	means trading of financial instruments booked at fair value through the profit and loss account, as defined under International Accounting Standard 39 ("IAS 39") or such other accounting standard established by the International Accounting Standards Board (IASB) as may replace IAS 39.
Remedial Actions	means action(s) that BCP proposes in order to meet committed future targets in case that their achievement is otherwise jeopardized.
Restructuring Period	means the time period between the date on which the Decision is adopted and 31 December 2017, unless otherwise stated.
Restructuring Plan	means the plan submitted by BCP to the European Commission, via the Portuguese Republic, dated 19 October 2012, as amended and supplemented by subsequent communications.
Retail activities	means the banking activities with transactions executed directly with individuals and small businesses, as per BCP´s current segmentation criteria.
ROE	means the ratio of net income in a given year, in the numerator, to, in the denominator, the sum of: (i) the average balance of available shareholder's equity during the year, and (ii) average outstanding nominal amount of Hybrids during the year. For the purposes of calculation in the text, the ROE linked to a transaction or a credit engagement is ratio of the annualised net income to the required regulatory capital linked to that transaction.
Trading Portfolio VaR	The portfolio risk measure defined in the 1996 Risk Metrics documentation, using a parametric approach. This parametric VaR calculation uses a one-year observation period, a a 10-day holding period, and a 99% one-tail confidence interval.

2.2 Portugal is to ensure that the Restructuring Plan is correctly and fully implemented until the end of the Restructuring Period.

2.3 Portugal is to ensure that the Commitments contained in this Commitment catalogue are fully observed during the Restructuring Period.

2.4 The Commitments enter into force from the date on which the Decision is adopted and will end at the end of the Restructuring Period, unless otherwise stated.

3. RESTRUCTURING OF BCP: SPLIT INTO A CORE UNIT AND A NON-CORE UNIT

3.1 Within six months after the Decision, BCP will split its existing activities into two parts, the Core Unit and the Non-Core Unit. The management decisions regarding the Non-Core Unit will be taken by a separate committee, and its activity will be separately accounted for but such Non-Core Unit will not be a separate legal entity. Moreover, funding, liquidity and solvency will be shared across both units.

3.2 BCP has been capitalised to maintain a minimum Core Tier 1 ratio that meets statutory solvency levels established by the relevant supervisory authority and will maintain such objectives throughout the Restructuring Period both under a base and stress case scenario, as defined by BoP, in compliance with the applicable E.U. Capital Directives.

3.3 Under the Restructuring Plan BCP Group, including both the Core and Non-Core Unit, will achieve, for each of the indicators, the following key ratios until the end of the Restructuring Period:

- LTD: a maximum of 120% on 31 December 2015, 31 December 2016 and 31 December 2017. Significant deviance above this target shall be avoided during the year;

- ROE: a minimum of [4-8]% by 31 December 2015 and a minimum of 10% on 31 December 2016 and on 31 December 2017;

- CIR: a maximum of [50-70]% by 31 December 2015 and a maximum of 50% on 31 December 2016 and on 31 December 2017;

- Gross loans: a maximum of EUR [60-100] billion on 31 December 2015 and a

maximum of EUR [60-100] billion on 31 December 2016 and 31 December 2017;

- Total assets on the balance sheet: a maximum of EUR [80-85] billion on 31 December 2015 and a maximum of EUR [80-85] billion on 31 December 2016 and 31 December 2017.

3.4 BCP will not engage in Proprietary Trading beyond the minimum necessary for the normal functioning of the treasury of a commercial bank. It will calculate a Value at Risk for its Trading Book Portfolio which will never exceed EUR [0-80] million throughout the Restructuring Period. For the purpose of this calculation, the definition of the VaR applies.

3.5 The total exposure on the consolidated balance sheet to […] debt issuers shall not exceed EUR [7-11] billion until 31 December 2015, then decreasing from EUR [7-11] billion to EUR [6-10] billion during 2016, to reach EUR [6-10] billion at 31 December 2016, then decreasing from EUR [6-10] billion during 2017, to reach EUR [6-10] billion at 31 December 2017.

3.6 The domestic branch network of BCP has to be scaled down and refocused, and will not exceed [650-700] branches by 31 December 2014 and will not increase beyond this limit during the Restructuring Period.

3.7 Any physical presences with a meaningful amount of physical manpower that BCP should use to replace the closed branches are to be included in the limit of branches foreseen in the previous paragraph. However, this does not include other types of non-physical distribution channels used in the banking industry, such as remote distribution channels (e.g., internet banking, mobile banking or automated points of service including ATMs).

3.8 The aggregated number of employees active in BCP's domestic market will not exceed [7,500-8,000] FTEs by 31 December 2015 and [7,000 - 7,800] FTEs by 31 December 2017, with an additional staff cost reduction equivalent to the cost of [300-500] FTEs. This Commitment is deemed to be fulfilled if BCP complies with the following maximum staff cost targets in Portugal in relation to FTEs: EUR [350-400] million in 31 December 2015 and EUR [350-400] million in 31 December 2017. If the cost target is not met, the Bank will reduce its FTEs so that they reach [7,000-7,500] by 31 December 2017.

3.9 The Core Unit BCP is to maintain a sustainable, profitable and considerably streamlined Core Unit which by 31 December 2015 will have no more than EUR [60-80] billion of total assets, out of which EUR [45-55] billion will consist of gross loans, and at the latest by 31 December 2017 will have no more than EUR [60-80] billion of total assets, out of which EUR [45-55] billion will consist of gross loans. The Core Unit will also meet the following requirements:

Metric	Type of limit	Relevant Period	Level
LTD	Maximum	31 December 2015, 31 December 2016 and 31 December 2017	120%
CIR	Maximum	2015	[50-70]%
CIR	Maximum	2016 and 2017	50%

3.10 For the purposes of paragraphs 3.9 above and 3.19 below, the calculation shall neutralise the impact of currency fluctuations, fluctuations in the value of derivatives, or the like. For the avoidance of doubts, the Commitments are based on figures not taking into account currency fluctuations and the impact of derivatives or the like. Portugal will ensure that reporting for these figures can be done in a transparent manner, clearly separating effects for currency fluctuations and fluctuations in the value of derivatives.

3.11 Without prejudice to interbank cooperation in other geographies (that are included in the Core Unit and include, for the avoidance of doubt, activities carried out through representative offices which do not originate or book any business with customers or any third parties), the activities of the banking companies of the Core Unit will be undertaken in the geographies, clients and activities presented below:

a. Geographies (Core Regions)

The Core Unit of the banking business of BCP Group will only operate in the following geographies (Core Regions):

i. Domestic: Portugal;

ii. International locations: Mozambique, Angola, Macao, Poland,

Switzerland and the Cayman Islands.

BCP Group is prevented from creating new business units (either companies or branches) outside the Core Regions during the Restructuring Period. BCP shall consult with the Commission before establishing new interbank cooperation agreements and new representative offices.

b. Customer-related activities

The activities in the Core Regions shall be those of a commercial bank, with a particular focus on retail, companies, corporate and private banking customers, which in Portugal have traditionally served the following major segments:

i. Retail: The retail segment includes the Mass Market Customers and clients managed by a dedicated account manager, based on their specific interest, portfolio of financial assets or income level, including companies with an annual turnover below EUR 2.5 million.

ii. Companies (Corporate SMEs): medium-sized companies with an annual turnover of between EUR 2.5 million and EUR 50 million.

iii. Corporate: The corporate segment targets large corporations, with an annual turnover exceeding EUR 50 million. The business activities can provide a full range of products and value-added services.

iv. Private banking: a private banking customer is defined as a retail customer who, over the last 12 months before the adoption of the Decision, had EUR 350.000 or more on average in financial assets with BCP, or a new customer bringing financial assets of EUR 350.000 or more to BCP, or customers who, because of their profile, would benefit from access to a private banking personal relationship manager, even if they do not hold with BCP financial assets in the above mentioned amounts.

In geographies other than Portugal, and save for BCP Switzerland and BCP Cayman Islands, the Group's operations have the same commercial banking profile, targeting the Retail, SMEs, Corporates and Private Banking segments in each market. For the avoidance of doubt, the segmentation cut-off levels mentioned above for both

individuals and corporations will be different for each of the other geographies, depending on the specificities of each market, and in Portugal they may evolve over the medium term to adjust to market changes.

Accordingly, other than BCP Switzerland and BCP Cayman Islands, each of these operations, including Portugal, offer their customers the full range of products and services that a commercial bank will typically offer in each market, including as main product classes: loans, guarantees and other types of secured or unsecured credit facilities, including capital goods finance, the full spectrum of savings products, other fee-based services including securities-related services such as brokerage and custody, the full range of payments-related services, foreign-exchange and domestic and foreign-trade-related business, contractual arrangements that modify or hedge the customer´s exposure to market or operating risk, as well as the distribution of financial products provided by third parties, including insurance products.

BCP Switzerland and BCP Cayman Islands only target the Private Banking segment and, as specified in Appendix 2, they will cease new loan origination, other than personal credit card and overdraft facilities that are inherent to Private Banking services.

3.12 **Production** The volume of New Business of mortgages and personal loans for the Core Unit in Portugal cannot exceed the following amounts: EUR [0-5] billion between 31 December 2012 and 31 December 2015 and EUR [0-5] billion between 31 December 2015 and 31 December 2017. For the purpose of this Commitment, the actions taken by BCP with a view to minimise capital losses and/or enhance the expected recovery value of such loans shall not be considered for the purposes of the mentioned limits.

3.13 Net change in the remaining stock of credit volumes in the Core Unit in Portugal (excluding mortgages and personal loans) cannot exceed the following amounts: EUR [0-5] billion between 31 December 2012 and 31 December 2015 and EUR [0-5] billion between 31 December 2015 and 31 December 2017.

BCP Poland

3.14 BCP will exercise its powers in BCP Poland´s governing bodies with a view to promote the adoption of the relevant additional organisational initiatives that may be necessary (for example in terms of capital structure, IT system set up and staffing) so that, if it

becomes applicable pursuant to the conditions set out in paragraph 3.15, the commencement of a sales process of BCP Poland is realistic and does not face any organisational hurdles that would impede such a process.

3.15 If BCP does not repay EUR 2,3 billion of Hybrids by 31 December 2016, BCP shall sell its equity holding in BCP Poland within […], i.e., until […].

3.16 If the equity holding in BCP Poland is not sold by the deadline mentioned in paragraph 3.15, a Divestiture Trustee will be appointed in accordance with Appendix 1 in order to complete the sale within […], i.e., by […], […] with an aim to maximise value for BCP. Should a Divestiture Trustee be appointed, the Restructuring Period and all Commitments in it for which the deadline is the end of the Restructuring Period or 31 December 2017 will be prolonged until the end of the Divestiture Trustee's mandate.

3.17 The Divestiture Trustee mandate shall be considered fulfilled on the date when the sale of the full equity holding of BCP in BCP Poland has been closed.

<u>The Non-Core Unit</u>

3.18 The Non-Core Unit will include the following activities:

3.18.1 Real Estate development and land acquisition, including Commercial Real Estate. A materiality threshold of EUR [0 - 500,000] on the total exposure of individual customers can be applied.

3.18.2 Securities-backed lending (Non-Recourse Lending to buy securities). A materiality threshold of EUR [0 - 500,000] for individual clients will apply.[54]

3.18.3 Construction subcontractors: this covers all companies active in the construction sector whose turnover outside Portugal accounts for less than [0-50]% of their total turnover.

3.18.4 Football clubs.

3.18.5 Highly-leveraged secured lending, defined as any transaction where credit is given for the acquisition of physical assets and for which the equity

[54] In the cases where the materiality threshold applies, lending must be collateralized by fixed income securities or highly liquid securities (but not, in any event, securities issued by BCP).

participation of the buyer is equal or below [0-50]% of the asset price.

3.18.6 Subsidized mortgages.

3.19 Subject to the following paragraph, the Non-Core Unit will be run down in accordance to the detailed strict deleveraging plan provided in the Restructuring Plan, which aims to reduce the asset side by [40-50]%[55] over the Restructuring Period. In the context of this Commitment:

a. By end-December 2015, the total assets in the Non-Core Unit will not exceed EUR [10-15] billion;

b. By 31 December 2017, the total assets in the Non-Core Unit will not exceed EUR [10-12] billion.

3.20 At the same time, because the Non-Core Unit is run internally, there is an overriding principle of capital preservation. Respecting this principle entails, *inter alia*, allowing BCP to retain flexibility to decide whether to sell, wind down and / or run down assets earlier to take advantage of market opportunities.

3.21 However, no assets that were allocated to the Non-Core Unit may in any form be re-allocated to the Core Unit.

3.22 In general, the Non-Core Unit will not and cannot generate any New Business. This restriction enters into force no later than one month after the Decision, save where otherwise provided for in Appendix 2.

3.23 The following shall not be considered as New Business for the purpose of the Non-Core Unit:

Amounts contractually committed before the Decision has been taken, but that have not yet been paid-out;

Additional financing to existing customers which is contractually committed at the day of the Decision or is strictly necessary to preserve the value of the loan collateral, or is otherwise related to minimising capital losses and/or enhancing the expected recovery value of a loan. Each of such forced renewal maturities must not exceed 12 months and their appropriateness should be evaluated at each

[55] Based on the period between 31 December 2012 and 31 December 2017.

renewal, ensuring that a renewal is likely to increase the NPV of the asset;

Derivative transactions which are necessary in order to manage interest rate, currency and credit risks in the existing portfolio, e.g. asset swaps, provided that (a) they have the effect of reducing the overall market risk position of the unit and (b) they do not result in the derivatives portfolio's value reaching a level above its average value during the 2008-2012 period;

All business which is necessary for regulatory or other legal reasons, including the extension of maturities or the modification of terms imposed as a member of a bank syndicate in certain investment projects or following decisions by administrative of judicial authorities;

Debt to equity or debt to investment funds participation units transactions in the context of credit restructuring or recovery.

3.24 In addition, and by way of derogation to paragraph 3.22 above, business entities which are allocated to the Non-Core Unit and which shall according to the Restructuring Plan be divested may generate a limited amount of New Business, in order to preserve their value when selling them on a going-concern basis. The size of the loan or asset portfolios carried and/or managed by these entities is subject to limits which are specified in Appendix 2. Such entities should be managed in a separate way from the Non-Core Unit and asset or liabilities cannot be transferred between those units and the Non-Core Unit, unless previously agreed with the Monitoring Trustee.

Active winding down of the Non-Core Unit Assets

3.25 The Non-Core Unit assets will be managed with the objective of being divested, liquidated or wound down in an orderly manner while minimizing the cost of such divestiture, liquidation or winding down. In principle, such assets should be wound down in an orderly manner once the assets mature. To that end, the following actions may be undertaken:

1. As a general rule, Non-Core Unit assets will be sold or wound down as quickly as possible, subject to the overriding principle of capital preservation.

2. Sale of non-strategic assets: BCP shall sell the loan books of BCP Cayman Islands and BCP Switzerland by […], failing which the relevant portfolios […].

3. BCP shall have sold its 100% equity holding in MBG by 30 June 2014[56]. The agreement for the divestment of the whole of BCP's stake in MBG is dated 21 April 2013, and the sale closed on 19 June 2013.

4. BCP shall have sold, in accordance with the terms of the investment and custodian agreements it and Piraeus entered into, dated 19 June 2013, its entire shareholding in Piraeus by 19 June 2016[57].

5. BCP shall sell its 100% equity holding in BCP Romania by […][58]. This Commitment does not apply if either one of the following conditions is met: *(i)* the sale leads to BCP […], or *(ii)* the transaction price is […].

6. BCP shall initiate a sale process for its 100% holding in MGA. If by […] a definitive purchase and sale agreement has not been signed, BCP will transfer the management of the mutual funds currently under MGA management (except real estate funds or funds where BCP invests as principal) to one or more non-related third parties within […] of such date in a competitive process and negotiate distribution agreements for the marketing and sale of funds managed by reputable third-parties (excluding funds managed by local competitors). Consequently, BCP will exit the management of mutual funds (except real estate funds or funds where BCP invests as a principal investor). BCP commits to implement an open architecture model to distribute mutual funds managed by reputable third-parties through its branch network and other distribution channels to all customer segments suitable for such products in Portugal.

3.26 Divestments mentioned in paragraph 3.25 will be timed to maximise value to the extent possible and may be contracted through public or private deals, agreed sales, intermediate mergers or a combination of these. The divestiture Commitments mentioned in paragraph 3.25 shall be considered fulfilled on the date when BCP (or the Divestiture Trustee) and the purchaser conclude the sale.

3.27 If the equity holding mentioned in paragraph 3.25 (v)[**] is not sold by the deadline mentioned therein, a Divestiture Trustee will be appointed in accordance with Appendix

---

[56] The total book value of this equity holding amounts to EUR 198 million at 31 December 2012.
[57] The total book value of this equity holding amounts to EUR 300 million at 30 June 2013.
[58] The total book value of this equity holding amounts to EUR 79 million at 31 December 2012.
[**] A clerical error. Should read 3.25.5.

1 in order to complete the sale within […], […] with an aim to maximise value. If a sale can still not be successfully contracted within […] after appointment of the Divestiture Trustee, BCP Romania will be […].

3.28 Until the non-strategic holdings mentioned in paragraph 3.25 are sold […] as the case may be, BCP will make its best efforts […] to these companies.

3.29 In addition, BCP will not increase the level of its net overall exposure in terms of loans and guarantees to the companies mentioned in paragraph 3.25 (ii), except when this is (a) strictly necessary to preserve the value of the relevant equity interest; or (b) otherwise relates to minimising capital losses and/or enhancing the expected recovery value of such exposures or interest; or (c) the result of legal, regulatory, judicial or administrative obligations. Any such increase in net exposure needs to be separately documented, except for renewals of existing credit lines in the ordinary course of business, accompanied by an adequate motivation and submitted to the Monitoring Trustee.

Repayment schedule of the Hybrids

3.30 BCP undertakes to repay the Hybrids in the following minimum tranches, while complying with BoP's capital requirements, as applicable to BCP from time to time:

(i) EUR [300-600] million by 31 December 2014;

(ii) EUR [500-1,000] million by 31 December 2015;

(iii) EUR [500-1,000] million by 31 December 2016;

(iv) EUR [600-1,300] million by 30 June 2017.

4. BURDEN SHARING AND COMPENSATORY MEASURES

4.1 Portugal will ensure that the following Commitments will be adhered to during the Restructuring Period.

4.2 Ban on acquisitions: BCP shall refrain from making acquisitions of equity. This applies to both the purchase of companies with their own legal structure, and shares in companies, as well as asset bundles that represent a branch of activity. This Commitment does not apply to acquisitions that must be made in order to maintain financial and/or association or strategic partnership related stability, or in the interests of effective competition, provided they have been approved beforehand by the Commission or can be reversed if the Commission order their reversion afterwards by reason of not meeting the said criteria. This Commitment does not apply either to: (a) acquisitions allowed under paragraph 3.4; (b) acquisitions that are the result of commitments assumed by BCP towards other entities prior to the subscription of the Hybrids; (c) acquisition of non-controlling stakes in the capital of mutual guarantee providers (*Sociedades de Garantia Mútua*) up to EUR [0-50] million during the Restructuring Period, subject to an annual cap of EUR [0-10] million; and (d) acquisitions that belong, in terms of the management of existing obligations of customers in financial difficulty, to a bank's normal ongoing business, including participation units in funds for the restructuring or recovery of credits granted by BCP. The ban provided for in this paragraph is to apply during the Restructuring Period.

4.3 However, BCP may acquire stakes in undertakings provided that in this last case the purchase price paid by BCP for any acquisition is less than [0-5]% of the balance sheet size of BCP at the date of the Commission decision and that the cumulative purchase prices paid by BCP for all such acquisitions over the whole restructuring period is less than [0-5]% of the balance sheet size of BCP at the last audited date prior to the Decision.

4.4 Ban on commercial aggressive practices: BCP shall avoid engaging in aggressive commercial practices throughout the duration of the Restructuring Period. Furthermore it will refrain from marketing and promotional activities based on State Aid.

4.5 Remuneration of bodies, employees and essential agents: BCP shall verify the incentive effect and appropriateness of its remuneration systems and ensure that they do not result in exposure to undue risks, are oriented towards sustainable, long term company objectives, and are transparent. BCP as a financial institution shall establish and implement its policies on salary and compensation matters strictly in accordance with the rules set forth by Decree-law No. 104/2007, of 3 April (which transposed the

Directive 2006/48/EC of the European Parliament and of the Council of 14 June 2006 relating to the taking up and pursuit of the business of credit institutions) as amended by Decree-Law No. 88/2011, of 20 July, and with the rules established by the Portuguese Central Bank in Aviso No. 10/2011, of 29 December, as well as with the rules set forth in Law No 63-A/2008 of 24 November (as amended) and Ministerial Order (Portaria) No 150-A/2012 of 17 May (as amended). Likewise BCP commits to ensure that the bank complies with the rules and recommendations set out by the European Commission on this subject within the EU framework for State aid as applicable to BCP. In particular, BCP undertakes to restrict the total remuneration to any member of staff, including board members and senior management, to an appropriate level, including all possible fixed and variable components, comprising discretionary pensions benefits, as provided for in Articles 92 and 93 of Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC.

4.6 Business with related parties: BCP's aggregate exposure to any single reference shareholder (defined as any shareholder owning more than 2% of BCP's outstanding ordinary shares) must not exceed [0-50]% of BCP's own funds. For the purpose of calculations, State-Owned Enterprises are accounted separately each, if they are separate legal entities. Additionally, BCP will not grant any credit facilities to finance the acquisition of its own shares.

4.7 Ban on dividends: BCP will not pay any dividends to third parties on its ordinary stock until the earlier of: *(i)* the end of the Restructuring Period, or *(ii)* the date of the full repayment of the Hybrids.

4.8 Ban on coupon payments: BCP will not make any coupon and interest payments to third parties on hybrid instruments and subordinated debt which are not held by Portugal, where there is no legal obligation to proceed with such payment. This ban will apply until the earlier of: (i) the end of the Restructuring Period, or (ii) the date of the full repayment of the Hybrids.

4.9 The provisions in paragraphs 4.7 and 4.8 do not apply to the payment of dividends, coupons or interests (i) in relation to equity holdings or loans that are purely intra-group, provided that such payment or the pre-payment of the equities or loans

concerned does not trigger payment of dividends, coupons or interests to third parties or (ii) the non-payment of which would preclude payment of coupons on the Hybrids.

4.10 In the event of deferral or cancellation of dividends, coupons or interests on subordinated outstanding debt which would preclude a buy-back of the Hybrids, BCP shall submit the situation beforehand to the Commission who shall take a position on such deferral or cancellation.

4.11 Ban on buy-backs: BCP will not buy back any shares, hybrid instruments, subordinated debt and similar securities held by entities other than *(i)* the State or *(ii)* entities within BCP´s full consolidation perimeter, unless previously authorised by the Commission provided that such buy back of the shares, hybrid instruments or subordinated debt and similar securities concerned does not trigger a payment to third parties. This does not prevent BCP from taking possession of shares, hybrid instruments, subordinated debt and similar securities issued by BCP in the context of its ordinary course of business for the management of existing obligations of customers in default or financial difficulty (including set off of loans against the collateral in financed acquisitions of such assets made prior to the subscription of the Hybrids). The ban does not apply to buy backs in the context of liability management exercises, provided that the latter have been approved beforehand by the Commission.

4.12 Other rules of conduct: BCP has to continue the further improvement of its risk management activities and to conduct a commercial policy that is prudent, sound and oriented towards sustainability.

4.13 As part of the prudent commercial policy, BCP must not provide lending to any third party that is intended to finance the purchase of shares or hybrid capital issued by BCP, save for in the management of existing obligations of customers in financial difficulty, in the context of BCP's normal on-going business.

4.14 In view of securing financing to and deleveraging of the real economy, BCP has committed vis-à-vis the Portuguese Government to allocate €30 million per year to a fund that will invest in equity of Portuguese SMEs and mid-cap corporates. The fund shall be managed according to international best practice by BCP or a third party with sufficient expertise and access to investment opportunities. The investment in the fund shall comply with the Ministerial Decision setting the terms for the recapitalization under national law and will be held by BCP. Any funds not transferred to such fund

within 12 months of commitment shall be transferred to the Portuguese Treasury. The fund shall not be used as a refinancing mechanism for existing loans. Any investment exceeding the above referred amount shall be subject to prior approval by the European Commission.

5. MONITORING TRUSTEE

5.1 Portugal is to ensure that the full and correct implementation of the Restructuring Plan and the full and correct implementation of all Commitments within this Term Sheet are continuously monitored by an independent, sufficiently qualified Monitoring Trustee.

5.2 The appointment, duties, obligations, replacement, discharge and reappointment of the Monitoring Trustee, as well as BCP's duties and obligations in this context, must follow the procedures set out in Appendix 3.

5.3 If in the course of implementing the Restructuring Plan BCP has reasons to assume that it is reasonably likely to fail to meet any Commitment set out in this Commitment catalogue, BCP has to work out on its own initiative a plan with Remedial Actions that are apt to bring the restructuring approach back in line, in order to ensure that all targets will be met. BCP has to present the Remedial Actions to the Monitoring Trustee who will analyse them and report to the Commission on its views concerning their adequacy.

5.4 Portugal and BCP are to ensure that, during the implementation of the Decision, the Commission or the Monitoring Trustee have unrestricted access to all information needed to monitor the implementation of the Decision. The Commission or the Monitoring Trustee may ask BCP for explanations and clarifications. Portugal and BCP are to cooperate fully with the Commission and the Monitoring Trustee with regard to all enquiries associated with monitoring of the implementation of the Decision.

Appendix 1 – Divestiture Trustee

The following provisions apply to the appointment of the Divestiture Trustee:

1. Provided that BCP is not able to contract the sale of the relevant entities mentioned in paragraphs 3.16 or 3.25 (v) of the Commitment catalogue by the deadline mentioned therein, Portugal must propose to the Commission for approval, no later than one month before the deadline specified in such paragraphs 3.16 or 3.25 (v)[*] of the Commitment catalogue, a list of two or more persons (legal or natural) to perform the duties of Divestiture Trustee.

2. The persons mentioned in the preceding paragraph must be independent of BCP and possess, for example as an investment bank, consultant or auditor, the specialised knowledge, expertise and manpower that is required in order to carry out the mandate, and must at no time be exposed to any conflict of interest.

3. The proposals mentioned in paragraph 1 of this Appendix must contain sufficient information about the candidates to enable the Commission to verify whether the proposed persons fulfil the requirements set out in the preceding paragraph, and must also include the following:

    a. the full terms of the proposed mandate with all the provisions that are necessary to enable the persons concerned to fulfil the duties of Divestiture Trustee; and

    b. the draft of a work plan describing how the proposed persons intend to carry out their assigned duties if they are appointed as Divestiture Trustee.

4. The Commission has the discretion to approve or reject the proposed persons and to approve the proposed mandate subject to any modifications that it deems necessary in order to enable the Divestiture Trustee to fulfil its obligations in accordance with the requirements set out in paragraphs 2 and 3 of the present Appendix. If only one name is approved, BCP will appoint the person concerned as Divestiture Trustee or cause that person to be appointed, in accordance with paragraph 7 of the present Appendix. If more than one name is approved, Portugal and BCP are free to decide which of the approved persons should be appointed as Divestiture Trustee.

[*] A clerical error. Should read 3.25.5.

5. If all the proposed persons are approved with changes or rejected for failing to meet the requirements set out in paragraphs 2 and 3 of the present Appendix, Portugal may, or in case of rejection shall, submit the names of at least two different persons (legal or natural) within two weeks of being informed of the changes or the rejection, in accordance with the requirements and procedure set out in paragraphs 2 and 3 of the present Appendix.

6. If all further proposed persons are also rejected by the Commission for failing to meet the requirements set out in paragraphs 2 and 3 of the present Appendix, the Commission will nominate a Divestiture Trustee which BCP will appoint, in accordance with paragraph 7.

7. The Divestiture Trustee will be appointed within one week of the Commission's approval, in accordance with the mandate approved by the Commission, unless BCP is able to contract the sale of the relevant entities and/or assets within the deadline prescribed in paragraphs 3.16 or 3.25 (v)[**] of the Commitment catalogue, in which case there is no obligation to appoint a Divestiture Trustee.

8. BCP must grant comprehensive powers to the Divestiture Trustee:

   a. to effect the disposal of the relevant entities and/or assets in accordance with paragraphs 3.16 or 3.25 (v)[**] of the Commitment catalogue, including the necessary powers to ensure the proper execution of all the documents required for effecting such disposal; and

   b. to take all actions and declarations that the Divestiture Trustee considers necessary or appropriate to achieve the disposal of the relevant entities and/or assets, including the appointment of advisors to assist with such disposal.

9. BCP must provide the Divestiture Trustee with all such cooperation, assistance and information as the Divestiture Trustee may reasonably require to perform its tasks.

10. The Divestiture Trustee shall be remunerated by BCP in a way that does not impede the independent and effective fulfilment of the Divestiture Trustee's mandate.

[**] A clerical error. Should read 3.25.5.
[**] A clerical error. Should read 3.25.5.

Appendix 2 – List mentioned in paragraph 3.24

The purpose of this appendix is to set out:

- The Non-Core Unit entities and equity holdings that BCP commits to divest or otherwise discontinue;
- The proposed deadline for the BCP-led divestment process (Stage 1), after which either a Divestiture Trustee is appointed or the asset is directly put in run-off mode (Stage 2). If a Divestiture Trustee is appointed in Stage 2 and if the sale is not achieved within the prescribed deadline for such stage, the asset will subsequently be placed in run-off (Stage 3);
- The time frame for new business remit.

Table – Non-Core Unit entities and equity holdings to divest

ENTITIES / EQUITY HOLDINGS TO DIVEST	DEADLINE FOR STAGE 1 (BCP-LED DIVESTMENT)	STAGE 2	STAGE 3	TIME FRAME FOR NEW PRODUCTION
MBG	30 June 2014	Not applicable, as this Commitment was fulfilled on 19 June 2013	-	-
Piraeus	19 June 2016	Not applicable under existing contractual arrangements (see below)	-	-
MGA	[…]	[…]	-	New production allowed up until […]. Total AUM not to exceed EUR [1.5-2] billion by […]

Loan books of BCP Cayman Islands and BCP Switzerland	[…]	Portfolios placed in […]	-	New production allowed up until […] Cayman gross loans not to exceed EUR [100-200] million by […] Swiss gross loans not to exceed EUR [250-500] million by […]
BCP Romania	[…]	Divesture trustee to complete the sale within […]	[…]	New production allowed according to business plan up until […]

BCP Romania

If BCP Romania is not sold by the deadline mentioned above, a Divestiture Trustee will be appointed in order to complete the sale within […] (Stage 2), […] with an aim to maximise value. During this period, BCP Romania should be managed according to its internal business plan in order to preserve the value of the relevant equity interest. In any event, the amount of new business that can be generated during this period is capped as follows:

BCP Romania's customer loans portfolio cannot exceed EUR [0-1] billion by […]. In addition to this and subject to decisions by local authorities, BCP Romania, as a separate legal entity, will not increase its LTD from the level of 127% attained on 31 December 2012, and additional organisational measures (for example in terms of capital structure, IT system set up and staffing) are to be taken so that the full divestment of BCP Romania by […] is realistic and does not face any organisational hurdles that would impede such a process.

If a sale can still not be successfully contracted within […] after appointment of the Divestiture Trustee (Stage 3), the entity will be […].

MGA

If MGA is not sold by the deadline mentioned above (Stage 1), BCP will transfer the management of the mutual funds currently under MGA management (except real estate funds or funds where BCP invests as principal) to one or more non-related third parties within […] of such date in a competitive process and negotiate distribution agreements for the marketing and sale of funds managed by reputable third-parties (excluding funds managed by local competitors).

Loan books of BCP Cayman Islands and BCP Switzerland

If the loan books of BCP Cayman Islands and BCP Switzerland are not sold by the deadline mentioned above (Stage 1), […] new business would still be allowed so as to preserve the value of the relevant portfolios.

Piraeus

Piraeus' shares and warrants are listed in the Athens Stock Exchange. Existing contractual arrangements between BCP and Piraeus ([…]) allow BCP to dispose of such shares or warrants through several methods, including market sales transactions, subject to certain limitations.

Appendix 3 – Monitoring Trustee

1. APPOINTMENT OF THE MONITORING TRUSTEE

1.1 Portugal undertakes to ensure that BCP appoints a Monitoring Trustee as set out below. The mandate applies to the entire duration of the Restructuring Period. At the end of the mandate, the Trustee will submit a final report.

1.2 The Monitoring Trustee must be independent of BCP. The Monitoring Trustee must possess, for example as an investment bank, consultant or auditor, the specialised knowledge, expertise and manpower that is required in order to carry out its mandate, and must at no time be exposed to any conflict of interest. The Monitoring Trustee is to be remunerated by BCP in a way that must not impede the independent and effective fulfilment of its mandate.

1.3 Portugal will submit two or more proposals to the Commission for approval as Monitoring Trustee no later than four weeks after notification of the Decision.

1.4 These proposals must contain sufficient information about those potential trustees to enable the Commission to verify whether the proposed trustees fulfil the requirements set out in paragraph 1.2 of the present Appendix, and must in particular include the following:

a. the full terms of the proposed mandate with all the provisions which are necessary to enable the Monitoring Trustee to fulfil its duties; and

b. the draft of a work plan describing how the proposed persons intend to carry out their assigned duties if they are appointed as the Monitoring Trustee.

1.5 The Commission has the discretion to approve or reject the proposed persons and to approve the proposed mandate subject to any modifications that it deems necessary in order to enable the Monitoring Trustee to fulfil its obligations. If only one name is approved, BCP will appoint the person or institutions concerned as Monitoring Trustee or cause that person or institution to be appointed, in accordance with the mandate approved by the Commission, or submit alternative proposal(s) to be reviewed and approved by the Commission. If more than one name is approved, Portugal and BCP are free to decide which of the approved persons should be appointed as Monitoring

Trustee. The Monitoring Trustee will be appointed within one week of the Commission's approval, in accordance with the mandate approved by the Commission.

1.6 If all the proposed persons are rejected, Portugal shall submit the names of at least two different persons or institutions within two weeks of being informed of the changes or the rejection, in accordance with the requirements and procedure set out in paragraphs 1.1 till 1.4 of the present Appendix.

1.7 If all further proposed persons are also rejected by the Commission, the Commission will nominate a Monitoring Trustee which BCP will appoint, in accordance with a trustee mandate approved by the Commission.

(II) GENERAL DUTIES AND OBLIGATIONS

(a) The Monitoring Trustee is to assist the Commission to ensure BCP's compliance with the Commitments and to assume the duties of a Monitoring Trustee specified in the Commitment catalogue. The Monitoring Trustee is to carry out the duties under its mandate in accordance with the work plan, as well as revisions of the work plan that have been approved by the Commission. The Commission may, on its own initiative or at the request of Portugal or BCP, issue orders or instructions to the Monitoring Trustee in order to ensure compliance with the Commitments. BCP is not entitled to issue instructions to the Monitoring Trustee.

(III) DUTIES AND OBLIGATIONS OF THE MONITORING TRUSTEE

(a) The duty of the Monitoring Trustee is to monitor full and correct compliance with the obligations set out in the Commitments, and full and correct implementation of BCP's Restructuring Plan. The Commission may, on its own initiative or at the request of the Monitoring Trustee, issue any orders or instructions to the Monitoring Trustee or BCP in order to ensure compliance with the Commitments attached to the Decision.

The Monitoring Trustee:

a. is to propose to the Commission in its first report a detailed work plan describing how it intends to monitor compliance with the Commitments attached to the Decision;

b. is to monitor the full and correct implementation of BCP's Restructuring Plan;

c. is to monitor compliance with all other Commitments;

d. is to assume the other functions assigned to the Monitoring Trustee in the Commitments attached to the Decision;

e. is to submit a half-yearly draft written report to the Commission, Portugal and BCP within thirty days after the end of each semester. The Commission, Portugal and BCP can submit comments on the draft within ten working days of receipt. Within five working days of receipt of the comments, the Monitoring Trustee is to prepare the final report and submit it to the Commission and to Portugal. Only afterwards the Trustee is to send a copy of the final report to BCP. If the draft report or the final report contains any information that may not be disclosed to BCP, only a non-confidential version of the draft report or the final report is to be sent to BCP. Under no circumstances is the Monitoring Trustee to submit any version of the report to Portugal and/or BCP before submitting it to the Commission;

f. the report is to focus on the duties set out in the mandate by the Monitoring Trustee and compliance with the Commitments by BCP, thus enabling the Commission to assess whether BCP is being managed in accordance with the Commitments. If necessary, the Commission may specify the scope of the report in more detail. In addition to these reports, the Monitoring Trustee is to report promptly in writing to the Commission if it has reasons to suppose that BCP is failing to comply with the Commitments.

(IV) DUTIES AND OBLIGATIONS OF BCP

(a) BCP is to provide and to require its advisors to provide the Monitoring Trustee with all such cooperation, assistance and information as the Monitoring Trustee may reasonably require to perform its tasks under its mandate. The Monitoring Trustee is to have unrestricted access to any books, records, documents, management or other personnel, facilities, sites and technical information of BCP or of the business to be sold that are necessary to fulfil its duties under the mandate. BCP is to make available to the Monitoring Trustee one or more offices at its business premises and all employees of BCP are to be available for meetings with the Monitoring Trustee in order to provide it with all the information it needs to perform its duties.

(b) The Monitoring Trustee may appoint advisors (in particular for corporate finance or legal advice), if the Monitoring Trustee considers the appointment of such advisors necessary or appropriate for the performance of its duties and obligations under the mandate, provided that any costs and other expenses incurred by the Monitoring Trustee are reasonable. Should BCP refuse to approve the advisors proposed by the Monitoring Trustee, the Commission may approve their appointment instead, after hearing BCP's reasons. Only the Monitoring Trustee or the Commission are entitled to issue instructions to the advisors.

(V) REPLACEMENT, DISCHARGE AND REAPPOINTMENT OF THE MONITORING TRUSTEE

(a) If the Monitoring Trustee terminates its functions under the Commitments or if there are any other significant grounds, such as a conflict of interest on the part of the Monitoring Trustee, the Commission can, after hearing the Monitoring Trustee, Portugal and BCP, require its replacement.

(b) If the Monitoring Trustee is removed in accordance with paragraph (a) of the present Appendix, it may be required to continue in its function until a new Monitoring Trustee is in place to whom the previous Monitoring Trustee has effected a full handover of all relevant information. The new Monitoring Trustee is to be appointed in accordance with the procedure referred to in paragraphs 1.1 till 1.7 of the present Appendix.

(c) Besides removal in accordance with paragraph (a) of the present Appendix, the Monitoring Trustee is to cease its activities only after the Commission has discharged it from its duties. This discharge is to take place when all the obligations with which the Monitoring Trustee has been entrusted have been implemented. However, the Commission may at any time require the reappointment of the Monitoring Trustee if it is subsequently found that the relevant Commitments have not been fully and properly implemented.

* * *