

BCP Finance Bank, Ltd.
2013 Annual Report & Accounts

BCP Finance Bank, Ltd.

2013 Annual Management Report

BCP Finance Bank, Ltd. (“the Bank”) acts as an overseas finance vehicle of Banco Comercial Português, S.A. and is wholly-owned by BCP International B.V., which is wholly-owned by Banco Comercial Português, S.A.. The previous sole direct shareholder of the Bank was Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda., also a BCP’s wholly-owned Subsidiary and this intra-group data transaction occurred in 2013. The head office of BCP Finance Bank is in the Cayman Islands.

The financial statements for the periods ended 31 December 2013 and 2012, have been prepared in accordance with the International Financial Reporting Standards (IFRS).

The share capital of BCP Finance Bank as at 31 December 2013 and 2012 totaled USD 246.0 million, comprising 246 million ordinary shares, with a nominal value of USD 1 each, which have been issued and are fully paid up.

Total assets of the Bank stood at USD 3,042.1 million as of 31 December 2013, increasing from USD 2,624.3 million as of 31 December 2012, influenced by the increase in loans and advances to credit institutions, which reflect the loans and advances granted to the parent company, Banco Comercial Português, S.A.. Loans and advances to credit institutions as of 31 December 2013 totaled USD 3,034.8 million, compared to USD 2,600.8 million as of 31 December 2012, showing an increase of 17% yoy.

The increase in total assets between the end of 2012 and 31 December 2013, which was influenced by the above-mentioned increase in loans and advances to credit institutions, stood in line with the increase observed in total liabilities, in the scope of the liquidity management policy implemented.

As of 31 December 2013 total liabilities stood at USD 2,181.8 million, showing an increase from USD 1,768.9 million posted on 31 December 2012. This evolution essentially reflects the increase of deposits from credit institutions, in spite of the reduction of debt securities issued.

Deposits from credit institutions, representing 69% of total liabilities, increased to USD 1,513.0 million as of 31 December 2013 from USD 897.9 million as of 31 December 2012. This balance sheet liability item refers to deposits held by the parent company, Banco Comercial Português, S.A..

Debt securities issued by BCP Finance Bank decreased to USD 460.5 million as of 31 December 2013 from USD 649.2 million as of 31 December 2012, as a result of the entity’s and the Group’s liability management strategy.

BCP Finance Bank posted a loss of USD 6.5 million in 2013, compared to a loss of USD 7.3 million in 2012.

The evolution of net income was influenced by net interest income evolution, which amounted to a negative USD 5.3 million in 2013, showing an increase from negative USD 11.2 million in 2012, reflecting the decrease of interest expense and similar charges, mainly on interest on deposits from credit institutions and on debt securities

issued, which mitigated the decrease of interest and similar income, mainly on interest on loans and advances to credit institutions.

Net profit from trading and hedging activities amounted to a negative USD 1.0 million in 2013, presenting a decrease from the USD 4.2 million recorded in 2012. This performance was mainly explained by a decrease on results arising from the repurchase of debt securities issued, from USD 7.9 million in 2012 to USD 0.5 million.

During 2013, the following amounts are paid to the Auditors: ROC (Legal Accounts Revision) EUR 17,260.

The main risks and uncertainties that may affect the activity of BCP Finance Bank are associated with the risks factors and uncertainty that may affect the activity of Banco Comercial Português, which as a banking institution is inevitably influenced by the economic and markets environment. A more detailed description of such risks may be seen in the section “Risk management” reported in 2013’s Annual Report and Accounts of Banco Comercial Português, S.A..

In spite of the more favourable performance of economic activity in 2013, along with a more benign environment in international financial markets, a context of worsening of the financial markets conditions could limit the access to wholesale funding, which could adversely affect the activity of BCP Finance Bank, Ltd..

The Bank’s Financial Statements as at 31 December 2013 are consistent with the Bank's risk-management policy, as referred in note 21 of the Notes to the Financial Statements.

BCP Finance Bank, Ltd.

Financial Statements

(with Auditors' Report thereon)

31 December 2013



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Independent Auditors' Report to the Directors

We have audited the accompanying financial statements of BCP Finance Bank, Ltd. ("the Company"), which comprise the balance sheet as at 31 December 2013, the statements of comprehensive income, changes in shareholder's equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2013, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

31 March 2014

BCP Finance Bank, Ltd.

Statement of Comprehensive Income for the year ended 31 December 2013

	Notes	2013 USD'000	2012 USD'000
Interest and similar income	2	42,613	52,435
Interest expense and similar charges	2	47,913	63,653
Net interest income		(5,300)	(11,218)
Gains arising from trading and hedging activities	3	12,022	337,283
Total operating income		6,722	326,065
Losses arising from trading and hedging activities	3	12,977	333,058
Other administrative costs		102	176
Other operating expenses		113	111
Total operating expenses		13,192	333,345
Loss for the year		(6,470)	(7,280)
Other Comprehensive Income			
<i>Items that will not be reclassified to the income statement</i>			
Exchange differences arising on translation of retained earnings		12,787	5,558
Exchange differences arising on translation fair value reserves		300	159
<i>Items that may be reclassified to the income statement</i>			
Changes in fair value reserves Financial assets available for sale		(1,706)	(1,631)
Other comprehensive income		11,381	4,086
Total comprehensive income/ (loss) for the year		4,911	(3,194)

CHIEF ACCOUNTANT

THE BOARD OF DIRECTORS

BCP Finance Bank, Ltd.

Balance Sheet as at 31 December 2013

	Notes	2013 USD'000	2012 USD'000
<i>Assets</i>			
Loans and advances to credit institutions			
Repayable on demand	5	263	384
Other loans and advances	6	3,034,567	2,600,388
Financial assets held for trading	7	2,078	13,333
Financial assets available for sale	8	3	4
Hedging derivatives	9	5,232	10,030
Other assets		-	143
Total assets		3,042,143	2,624,282
<i>Liabilities</i>			
Deposits from credit institutions	10	1,513,029	897,932
Debt securities issued	11	460,524	649,184
Financial liabilities held for trading	7	1,334	4,190
Other financial liabilities at fair value			
through profit and loss	12	6,610	27,776
Subordinated debt	13	200,239	189,658
Other liabilities	14	78	124
Total liabilities		2,181,814	1,768,864
<i>Shareholder's equity</i>			
Share capital			
Ordinary shares	15	246,000	246,000
Share premium	16	315,000	315,000
Fair value reserves	16	5,214	6,620
Reserves and retained earnings	16	294,115	287,798
Total Shareholder's equity		860,329	855,418
		3,042,143	2,624,282

CHIEF ACCOUNTANT

THE BOARD OF DIRECTORS

BCP Finance Bank, Ltd.

Statement of cash flows for the year ended 31 December 2013

	2013	2012
	USD'000	USD'000
Cash flows from operating activities		
Interest income received	40,172	54,192
Interest expense and commissions paid	(43,395)	(72,297)
Net cash flows from trading and hedging activities	2,428	13,668
Operating fees and other payments	(215)	(252)
 (Increase)/Decrease in operating assets		
Loans and advances to credit institutions	(433,143)	2,452,679
 Increase/(Decrease) in operating liabilities		
Deposits from credit institutions	613,305	(560,512)
Other liabilities	(44)	(237)
	<u>179,108</u>	<u>1,887,241</u>
 Cash flows from financing activities		
Repayment from issuance of debt securities	(202,430)	(1,898,616)
Repayment from issuance of subordinated debt	10,414	5,143
	<u>(192,016)</u>	<u>(1,893,473)</u>
 Exchange differences arising on translation of retained earnings at the year-end rates	<u>12,787</u>	<u>5,558</u>
Net decrease in cash and cash equivalents	(121)	(674)
Cash and cash equivalents at the beginning of the year	<u>384</u>	<u>1,058</u>
Cash and equivalents at the end of the year (Note 5)	<u><u>263</u></u>	<u><u>384</u></u>

BCP Finance Bank, Ltd.

Statement of Changes in Shareholder's Equity for the year ended 31 December 2013

(Amounts expressed in thousands of USD)

	Total Shareholder's Equity	Ordinary Shares	Share Premium	Fair value reserves	Other reserves and retained earnings
Balance on 31 December, 2011	858,612	246,000	315,000	8,092	289,520
Exchange differences	5,717	-	-	159	5,558
Fair value reserves	(1,631)	-	-	(1,631)	-
Loss for the year	(7,280)	-	-	-	(7,280)
Balance on 31 December, 2012	855,418	246,000	315,000	6,620	287,798
Exchange differences	13,087	-	-	300	12,787
Fair value reserves	(1,706)	-	-	(1,706)	-
Loss for the year	(6,470)	-	-	-	(6,470)
Balance on 31 December, 2013	860,329	246,000	315,000	5,214	294,115

BCP Finance Bank, Ltd.

Notes to the Financial Statements 31 December 2013

1. Accounting policies

1.1 Basis of presentation

BCP Finance Bank, Ltd. ("the Bank") was incorporated in the Cayman Islands on 27 March 1998 and granted a Category "B" Unrestricted Banking Licence in 1998. The Bank acts as an overseas finance vehicle of Banco Comercial Português Group and its ultimate sole shareholder has always been Banco Comercial Português, S.A. ("BCP"). BCP currently owns the Bank through its wholly owned holding company BCP International B.V. The previous sole direct shareholder of the Bank was Millennium bcp Participações, SGPS, Sociedade Unipessoal, Lda, also a BCP's wholly owned Subsidiary and this intra-group date transaction occurred in 2013.

The Directors approved these financial statements on 31 March 2014. The financial statements are presented in thousands of USD, rounded to the nearest thousand.

The financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

For 2013, the Bank adopted the IFRS standards and interpretations for which application is mandatory for accounting periods beginning on 1 January 2013.

These standards are detailed in note 22. In accordance with the transition dispositions of these standards and interpretations, comparative figures are presented in these financial statements for additional disclosures required.

The accounting policies set out below have been applied consistently by the Bank and are consistent with those used in the previous year, except for the adoption and amendments to the following standard, which was originally issued in May 2011 and applies to annual periods beginning on or after 1 January 2013.

IFRS 13 Fair value measurement

IFRS 13 applies to IFRSs that require or permit fair value measurements or disclosures and provides a single IFRS framework for measuring fair value and requires disclosures about fair value measurement. The standard defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

IFRS 13 seeks to increase consistency and comparability in fair value measurements and disclosures through a "fair value hierarchy" which categorises the inputs used in valuation techniques into three levels. These levels are detailed in note 19. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets and liabilities (level 1) and the lowest priority to unobservable inputs (level 3).

The standard has been applied prospectively by the Bank, without significant impacts in the measurement of its assets and liabilities.

1.1 Basis of presentation (continued)

The financial statements are prepared under the historical cost convention, as modified by the application of fair value basis for derivative financial instruments, financial assets and liabilities at fair value through profit or loss, and available for sale assets, except those for which a reliable measure of fair value is not available. Financial assets and liabilities that are hedged under hedge accounting are stated at fair value in respect of the risk that is being hedged. Other financial assets and liabilities and non-financial assets and liabilities are stated at amortised cost or historical cost.

The preparation of the financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The issues involving a higher degree of judgment or complexity or where assumptions and estimates are considered to be significant are presented in note 1.17.

The functional currency of the Bank is the Euro. The reporting currency of the financial statements is the United States Dollar as this is the reporting currency preferred by the Cayman Islands Monetary Authority.

As at 31 December 2013 and 2012 the Bank had no employees. The registered office of the Bank is located at the offices of Millennium bcp Bank & Trust (also a wholly owned Subsidiary of BCP.), 3rd Floor, Strathvale House, 90 North Church Street, George Town, P.O. Box 30124, Grand Cayman, KY1-1201, Cayman Islands.

1.2 Financial Instruments

(i) Classification, initial recognition and subsequent measurement

1) Financial assets and liabilities at fair value through profit or loss

1a) Financial assets held for trading

The financial assets and liabilities acquired or issued with the purpose of sale or re-acquisition on the short term, namely bonds, treasury bills or shares or that are part of a financial instruments portfolio and for which there is evidence of a recent pattern of short-term profit taking or that can be included in the definition of derivative (except in the case of a derivative classified as hedging) are classified as trading. The dividends associated with these portfolios are accounted for in gains arising on trading and hedging activities.

The interest from debt instruments is recognised as interest margin.

Trading derivatives with a positive fair value are included in financial assets held for trading and trading derivatives with negative fair value are included in financial liabilities held for trading.

1b) Other financial assets and liabilities at fair value through profit and loss ("Fair Value Option")

The Bank has adopted the Fair Value Option for certain own bond issues, that contain embedded derivatives or with related hedging derivatives (economic perspective). The changes in credit risk of the Bank related with financial liabilities accounted under the Fair Value Option are disclosed in "Net gains / (losses) arising from trading and hedging activities".

1.2 Financial Instruments (continued)

The designation of financial assets and liabilities at fair value through profit and loss is performed whenever at least one of the following requirements is fulfilled:

- the assets and liabilities are managed, evaluated and reported internally on a fair value basis;
- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise; or;
- the assets and liabilities include embedded derivatives that significantly change the cash-flows of the original contracts (host contracts).

Financial assets and liabilities designated at fair value through profit or loss are initially recognised and subsequently measured at their fair value, with the expenses or income related to the transactions being recognised in profit or loss. The accrual of interest and premium/discount (when applicable) is recognised in net interest income using the effective interest rate of each transaction. Interest and premium/discount on embedded derivatives and hedge derivatives related to financial instruments classified as fair value through profit or loss is also recognised in net interest income using the effective interest rate of each transaction.

2) *Financial assets available for sale*

Financial assets available for sale held with the purpose of being maintained by the Bank, namely bonds, treasury bills or shares, are classified as available for sale, except if they are classified in another category of financial assets. The financial assets available for sale are initially accounted at fair value, including all expenses or income associated with the transactions. The financial assets available for sale are subsequently measured at fair value. The changes in fair value are accounted for against fair value reserves until they are sold or an impairment loss exists. In the sale of the financial assets available for sale, the accumulated gains or losses recognised as fair value reserves are recognised under Net gains / (losses) arising from available for sale financial assets. Interest income from debt instruments is recognised in Net interest income based on the effective interest rate, including a premium or discount when applicable. Dividends are recognised in the statement of comprehensive income when the right to receive the dividends is attributed.

3) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Bank does not intend to sell immediately or in the near term. This category includes loans and advances to credit institutions and other assets.

These financial instruments are initially recognised at fair value plus incremental direct transaction costs and subsequently measured at their amortised cost using the effective interest rate method. The interest calculated at the effective interest rate is recognised in Net interest income.

The profits and losses calculated upon derecognition of loans and receivables are recognised as net gains/losses from trading, hedging and available for sale financial activities.

4) *Other financial liabilities*

Other financial liabilities are financial liabilities that are not classified as financial liabilities at fair value through profit and loss. This category includes deposits from credit institutions, debt securities issued, subordinated debt and other liabilities.

These financial liabilities are initially recognised at fair value and subsequently at amortised cost. The related transaction costs are included in the effective interest rate. The interest calculated at the effective interest rate is recognised in Net interest income.

1.2 Financial Instruments (continued)

The realised gains or losses calculated at the time of the repurchase of other financial liabilities are recognised as Net gains and losses arising from trading and hedging activities.

(ii) Impairment

An assessment is made at each balance sheet date as to whether there is any objective evidence of impairment, namely circumstances where an adverse impact on estimated future cash flows of the financial asset or group of financial assets can be reliably estimated or based on a significant or prolonged decrease in the fair value, below the acquisition cost.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows discounted at the assets' original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through profit or loss.

If an available for sale asset is determined to be impaired, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the profit or loss) is removed from fair value reserves and recognised in profit or loss.

If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurred after the impairment loss was recognised in the profit or loss, the impairment loss is reversed through the statement of comprehensive income. The impairment losses recognised in equity instruments classified as available for sale, when reversed, are recognised against fair value reserves.

(iii) Embedded derivatives

Embedded derivatives should be accounted for separately as derivatives if the economic risks and benefits of the embedded derivative are not closely related to the host contract, unless the hybrid (combined) instrument is not initially measured at fair value with changes through profit and loss. Embedded derivatives are classified as trading and recognised at fair value with changes through profit and loss.

1.3 Derivative hedge accounting

(i) Hedge accounting

The Bank uses derivatives to hedge its exposure to interest rate and foreign exchange risk, resulting from financing and investment activities. Derivatives not qualified for hedge accounting are accounted for as trading instruments.

Derivative hedging instruments are stated at fair value and profits and losses on revaluation are recognised in accordance with the hedge accounting model adopted by the Bank. A hedge relationship exists when:

- at the inception of the hedge there is formal documentation of the hedge;
- the hedge is expected to be highly effective;
- the effectiveness of the hedge can be reliably measured;
- the hedge is valuable on a continuous basis and highly effective throughout the reporting period; and

1.3 Derivative hedge accounting (continued)

- for hedges of a forecast transaction, the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect net profit or loss.

When a derivative financial instrument is used to hedge foreign exchange rate fluctuations arising from monetary assets or liabilities, no hedge accounting model is applied. Any gain or loss associated to the derivative and to changes in foreign exchange risk related with monetary items are recognised through profit and loss.

(ii) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedge instruments are recognised in profit and loss, together with changes in the fair value attributable to the hedged risk of the asset or liability or group of assets and liabilities that are attributable to the hedged risk. If the hedge relationship no longer meets the criteria for hedge accounting, the cumulative gains and losses recognised until the discontinuance of the hedge accounting relationship are amortised through profit and loss over the residual period of the hedged item.

(iii) Hedge effectiveness

For a hedge relationship to be classified as such according to IAS 39, effectiveness has to be demonstrated. As such, the Bank performs prospective tests at the beginning date of the initial hedge, if applicable and retrospective tests in order to demonstrate at each reporting period the effectiveness of the hedging relationships, showing that the changes in the fair value of the hedging instrument are hedged by the changes in the hedged item for the risk being covered. Any ineffectiveness is recognised immediately in profit and loss when incurred.

1.4 Reclassifications between financial instruments categories

In accordance with IAS 39 – Financial Instruments: Recognition and Measurement the transfers of financial assets recognised in the category of financial assets available for sale to Loans and receivables are permitted as long as the following criterion is met:

- a financial asset would have met the definition of loans and receivables; and
- the entity has the intention and ability to hold the financial asset for the foreseeable future or until maturity;

Transfer of financial assets recognized in the category of financial assets available-for-sale to Loans and receivables and financial assets held-to-maturity are permitted.

Transfers from Financial assets and financial liabilities designated at fair value through profit or loss ('Fair value option') are prohibited.

On 1 January 2010 the Bank reclassified Subordinated loans from the financial assets available for sale category to the loans and advances to credit institutions category, under the scope of IAS 39 – Reclassifications of Financial Assets, as described in note 8.

IFRS allows an entity to transfer Financial assets from Financial assets at fair value through profit and loss – trading to Financial assets available for sale, or to Loans and Receivables or to financial assets held to maturity, as long as the requirements described in the Standard are met, namely:

- if a financial asset, at the date of reclassification present the characteristics of a debt instrument for which there is no active market; or
- when there is some event that is uncommon and highly improbable that will occur again in the short term, that is, the event can be classified as a rare circumstance.

1.4 Reclassifications between financial instruments categories (continued)

The Bank did not perform any reclassification in light of this amendment.

1.5 Derecognition

The Bank derecognises financial assets when all rights to future cash flows have expired or the assets are transferred. In a transfer of assets, derecognition can only occur either when risks and rewards have been substantially transferred or the Bank does not maintain control over the assets.

The Bank derecognises financial liabilities when these are discharged, cancelled or extinguished.

1.6 Equity instruments

An instrument is classified as an equity instrument when there is no contractual obligation at settlement to deliver cash or another financial asset to another entity, independently from its legal form, showing a residual interest in the assets of an entity after deducting all of its liabilities.

Transaction costs directly attributable to an equity instruments' issuance are recognised in equity as a deduction to the amount issued. Amounts paid or received related to sales or acquisitions of equity instruments are recognised in equity, net of transaction costs.

Income from equity instruments (dividends) are recognised when the right to receive this income is established and are deducted to equity.

1.7 Compound financial instruments

Financial instruments that contain both a liability and an equity component (example: convertible bonds) are classified as compound financial instruments. For those instruments to be considered as compound financial instruments, the terms of its conversion to ordinary shares (number of shares) cannot change with changes in its fair value. The financial liability component corresponds to the present value of the future interest and principal payments, discounted at the market interest rate applicable to similar financial liabilities that do not have a conversion option. The equity component corresponds to the difference between the proceeds of the issue and the amount attributed to the financial liability. Financial liabilities are measured at amortised cost using the effective interest rate method. The interest is recognised in Net interest income.

1.8 Interest income and expense

Interest income and expense for financial instruments measured at amortised cost are recognised in the interest income or expenses (net interest income) using the effective interest rate method. The interest related to financial assets available for sale calculated using the effective interest rate method are also recognised on the net interest income as well as those from assets and liabilities at fair value through profit and loss.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument (or, when appropriate, for a shorter period), to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Bank estimates future cash flows considering all contractual terms of the financial instrument but without considering future impairment losses. The calculation includes all fees paid or received considered as included in the effective interest rate, transaction costs and all other premiums or discounts directly related with the transaction except for assets and liabilities at fair value through profit and loss.

1.8 Interest income and expense (continued)

If a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Specifically regarding the accounting policy for interest on overdue loans' portfolio the following aspects are considered:

- interest income for overdue loans with collateral are accounted for as income up to the limit of the valuation of the collateral valued on a prudent basis. This income is recognised in accordance with IAS 18, assuming that there is a reasonable probability of recoverability; and
- interest accrued and not paid on overdue loans for more than 90 days that are not covered by collateral is written-off and is recognised only when received, in accordance with IAS 18, on the basis that its recoverability is considered to be remote.

For derivative financial instruments, except those classified as hedging instruments of interest rate risk, the interest component is not separated from the changes in the fair value and is classified under Net gains/(losses) from trading and hedging activities. For hedging derivatives of interest rate risk and those related to financial assets or financial liabilities designated at fair value through profit or loss under the Fair Value Option category, the interest component of the changes in their fair value is recognised in interest income or expense (Net interest income).

1.9 Fee and commission income

Fees and commissions are recognised according to the following criteria:

- fees and commissions which are earned as services are provided and recognised in income over the period in which the service is being provided;
- fees and commissions that are earned on the execution of a significant act, are recognised as income when the service is completed.

Fees and commissions that are an integral part of the effective interest rate of a financial instrument are recognised in net interest income.

1.10 Financial results (Results arising from trading and hedging activities and available for sale financial assets)

Financial results includes gains and losses arising from financial assets and financial liabilities at fair value through profit and loss, that is, fair value changes and interest on trading derivatives and embedded derivatives), as well as the corresponding dividends received. This caption includes also the dividends and gains and losses arising from the sale of available for sale financial assets. The changes in fair value of hedging derivatives and hedged items, when fair value hedge is applicable, are also recognised in this caption.

1.11 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents include cash balances and loans and advances to credit institutions repayable on demand.

Cash and cash equivalents exclude restricted balances with central banks.

1.12 Offsetting

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

1.13 Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currency of the operation at the foreign exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies, are translated into the respective functional currency of the operation at the foreign exchange rate at the reporting date. Foreign exchange differences arising on translation are recognised in the profit and loss. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated into the respective functional currency of the operation at the foreign exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated into the respective functional currency of the operation at the foreign exchange rate at the date that the fair value was determined against profit and loss, except for financial assets available-for-sale, for which the difference is recognised against equity.

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

1.14 Income Taxes

As referred in Note 18 there are no taxes on income or gains in the Cayman Islands. Furthermore, the Bank has received an undertaking from the Governor in Council of the Cayman Islands exempting it from all local taxation on future profits, income or gains if these taxes would be levied in the Cayman Islands in the future. This undertaking is valid until 2018.

1.15 Segment Reporting

A business operational segment is a distinguishable component of the Bank that is engaged in providing an individual product or service or a group of related products or services, in a specific economic environment and that is subject to risks and returns that are different from those of other business segments, which operates in different economic environments.

In accordance with the nature of the activity performed by the Bank, the Bank's assets, liabilities, revenues and expenses are classified in a single segment, and therefore separate segment disclosure is not required.

1.16 Provisions

Provisions are recognised when (i) the Bank has a present obligation (legal or resulting from past practices or published policies that imply the recognition of certain responsibilities), (ii) it is probable that an outflow of economic benefits will be required to settle a present legal or constructive obligation as a result of past events and (iii) a reliable estimate can be made of the amount of the obligation.

On the cases that the discount effect is material, provision corresponds to the actual value of the expected future payments, discounted by a rate that considers the associated risk of the obligation.

1.16 Provisions (continued)

Provisions are reviewed at each balance sheet date and adjusted to reflect the best estimate, being reverted through profit and loss in the proportion of the payments that are probable.

The provisions are derecognised through their use for the obligations for which they were initially accounted or for the cases that the situations were not already observed.

1.17 Accounting estimates and judgements in applying accounting policies

IFRS set forth a range of accounting treatments and require the Board of Directors and management to apply judgment and make estimates in deciding which treatment is most appropriate. The most significant of these accounting policies are discussed in this section in order to improve understanding of how their application affects the Bank's reported results and related disclosure.

Considering that in some cases there are several alternatives to the accounting treatment chosen by management, the Bank's reported results would differ if a different treatment was chosen. Management believes that the choices made are appropriate and that the financial statements present the Bank's financial position and results fairly in all material aspects.

The alternative outcomes discussed below are presented solely to assist the reader in understanding the financial statements and are not intended to suggest that other alternatives or estimates would be more appropriate.

The evaluation process in determining whether an impairment loss should be recorded in the Statements of Comprehensive Income is subject to numerous estimates and judgments. The probability of default, risk ratings, value of associated collaterals recovery rates and the estimation of both the amount and timing of future cash flows, among other things, are considered in making this evaluation.

Fair value of derivatives

Fair values are based on listed market prices if available; otherwise fair value is determined either by dealer price quotations (both for that transaction or for similar instruments traded) or by pricing models, based on net present value of estimated future cash flows which take into account market conditions for the underlying instruments, time value, yield curve and volatility factors. These pricing models may require assumptions or judgments in estimating their values.

Consequently, the use of a different model or of different assumptions or judgments in applying a particular model could result in different financial results for a particular period.

Impairment of loans and advances to credit institutions

The evaluation process in determining whether an impairment loss should be recorded in the income statement is subject to numerous estimates and judgments. The probability of default, risk ratings, value of associated collaterals recovery rates and the estimation of both the amount and timing of future cash flows, among other things, are considered in making this evaluation.

In evaluating the impairment of loans and advances to credit institutions the Bank considered the fact that all the amounts were with the parent company BCP, S.A.

Alternative methodologies and the use of different assumptions and estimates could result in a different level of impairment losses with a consequent impact in the consolidated income statement of the Bank.

2. Net interest income

The amount of this account is comprised of:

	2013 USD'000	2012 USD'000
<i>Interest and similar income</i>		
Interest on loans and advances to credit institutions	38,751	48,401
Interest on derivatives associated with financial instruments at fair value through profit or loss	302	848
Interest on hedging derivatives	3,560	3,186
	<u>42,613</u>	<u>52,435</u>
<i>Interest expense and similar charges</i>		
Interest on debt securities issued	11,084	16,426
Interest on subordinated debt	20,003	19,631
Interest on deposits from credit institutions	16,381	26,483
Interest on derivatives associated with financial instruments at fair value through profit or loss	24	292
Interest on other financial liabilities at fair value through profit or loss	421	762
Interest on hedging derivatives	-	59
	<u>47,913</u>	<u>63,653</u>
Net Interest income	<u>(5,300)</u>	<u>(11,218)</u>

As at 31 December 2013, interest on debt securities issued regards interest on bonds issued in the amount of USD 11,084,000 (2012: USD 16,426,000).

3. Gains and losses arising from trading and hedging activities

The amount of this account is comprised of:

	2013 USD'000	2012 USD'000
<i>Gains arising from trading and hedging activities</i>		
Foreign exchange activity	1,110	1,326
Financial instruments at fair value through profit or loss		
Derivatives associated with financial instruments at fair value through profit or loss	886	45,655
Other derivative financial instruments	5,441	252,840
Other financial instruments at fair value through profit and loss	349	8,369
Hedge accounting		
Hedge items	2,933	-
Hedging instruments	720	3,120
Repurchase of debt securities issued	583	25,973
	<u>12,022</u>	<u>337,283</u>
<i>Losses arising from trading and hedging activities</i>		
Foreign exchange activity	1,816	1,572
Financial instruments at fair value through profit and loss		
Derivatives associated with financial instruments at fair value through profit and loss	1,349	14,861
Other derivative financial instruments	5,394	248,133
Other financial instruments at fair value through profit and loss through profit and loss	-	46,406
Hedge accounting		
Hedge items	-	1,925
Hedging instruments	4,321	2,075
Repurchase of debt securities issued	97	18,086
	<u>12,977</u>	<u>333,058</u>
Net gain/(loss) arising from trading and hedging activities	<u>(955)</u>	<u>4,225</u>

Results arising from other financial instruments at fair value through profit or loss includes a loss in the amount of USD 493,000 (2012: a loss in the amount of USD 7,914,000) resulting from the fair value changes in the credit risk of the Bank related to bonds issued.

The result of repurchases of own issues is determined in accordance with the accounting policy described in note 1.2.

4. Dividends

No dividends were declared or paid in 2013 and 2012.

5. Loans and advances to credit institutions – Repayable on demand

This balance, in the amount of USD 263,000 (2012: USD 384,000) refers to deposits repayable on demand held by Banco Comercial Português, S.A.

6. Loans and advances to credit institutions - Other loans and advances

This balance is analysed as follows:

	2013 USD'000	2012 USD'000
Banco Comercial Português, S.A.	<u>3,034,567</u>	<u>2,600,388</u>

As at 31 December 2013, Loans and advances to credit institutions includes interest receivable amounting to USD 12,663,000 (2012: USD 10,222,000).

This balance is analysed by the period to maturity, as follows:

	2013 USD'000	2012 USD'000
Up to 3 months	1,373,321	934,313
3 to 6 months	35,191	31,501
6 to 12 months	78,808	-
1 to 5 years	1,393,958	1,461,542
More than 5 years	153,289	173,032
	<u>3,034,567</u>	<u>2,600,388</u>

Concerning derivative financial transactions with institutional counterparties, the Bank has no Loans and advances to credit institutions granted as collateral on the mentioned transactions as at 31 December 2013 and 31 December 2012.

6. Loans and advances to credit institutions - Other loans and advances (continued)

The range of interest rates applicable to these balances as at 31 December, 2013 is analysed as follows:

	<u>Minimum</u>	<u>Maximum</u>
EUR	0.23%	10.71%
USD	0.19%	0.73%
CAD	1.05%	1.05%

The range of interest rates applicable to these balances as at 31 December, 2012 is analysed as follows:

	<u>Minimum</u>	<u>Maximum</u>
EUR	0.20%	10.78%
USD	0.31%	3.01%
CAD	1.13%	1.13%

The currency exposure related with these operations is analysed as follows:

	<u>2013</u> <u>USD'000</u>	<u>2012</u> <u>USD'000</u>
EUR	2,443,017	2,008,079
USD	591,268	592,008
CAD	282	301
	<u>3,034,567</u>	<u>2,600,388</u>

7. Financial assets and liabilities held for trading

This balance is analysed as follows:

	2013 USD'000	2012 USD'000
Financial assets held for trading		
Interest rate and cross currency interest rate swaps	690	2,552
Equity options swaps	76	6,718
Credit Default Swaps	4	-
Embedded derivatives	1,308	4,063
	<u>2,078</u>	<u>13,333</u>
 Financial liabilities held for trading		
Credit default swaps	1,296	4,037
Corridor Swaps	34	55
Embedded derivatives	4	98
	<u>1,334</u>	<u>4,190</u>

As at 31 December 2013, Financial assets held for trading – Embedded derivatives and Financial liabilities held for trading – Embedded derivatives refers to the valuation of the embedded derivatives separated from the host contract in accordance with the accounting policy presented in note 1.2.

As at 31 December 2013, the caption Financial assets held for trading included the amount of USD 107,000 (2012: USD 6,760,000) referring to derivatives associated to other financial assets and liabilities at fair value through profit and loss (“Fair Value Option”).

The swaps held by the Bank for trading purposes are all with Banco Comercial Português, S.A.

Swaps

Swaps are over-the-counter agreements between the Bank and other parties to exchange future cash flows based upon agreed upon notional amounts. Swaps most commonly used by the Bank are interest rate and cross-currency swaps (though, as at 31 December 2013 and 2012, the Bank was also using credit default swaps, equity options swaps and corridor swaps). Under interest rate swaps, the Bank agrees with other parties to exchange, at specified intervals, the difference between fixed-rate and floating-rate interest amounts calculated by reference to an agreed notional amount. Cross-currency swaps require an exchange of interest payment flows and capital amounts in different currencies. Credit Default Swaps require the buyer to make series of payments and the seller to give a guarantee against the occurrence of a credit event of a specific entity. The credit default swaps used by the Bank are associated with credit link notes issued, in economic hedges. The Bank is subject to credit risk arising from the respective counterparties’ failure to perform. Market risk arises from the possibility of unfavorable movements in interest rates, foreign exchange rates, credit spreads and equity/index prices relative to the contractual rates of the contract.

Gains and losses arising on derivative contracts and changes in fair value of other trading instruments are recognised in profits and losses arising from trading activity.

7. Financial assets and liabilities held for trading (continued)

The notional amount of the financial assets and the financial liabilities held for trading, as at 31 December 2013, analysed by period of maturity is as follows:

(Amounts expressed in USD'000)

31 December 2013						
Notional amount with remaining life of						
	Less than three months	Between three months and one year	More than one year	Total	Fair value Assets	Fair value Liabilities
Interest rate swaps	-	-	14,412	14,412	690	-
Credit default swaps	-	15,170	27,582	42,752	4	1,296
Equity options swaps	-	1,483	-	1,483	76	-
Corridor swaps	-	-	7,727	7,727	-	34
Embedded derivative	-	-	-	-	1,308	4
	-	16,653	49,721	66,374	2,078	1,334

The notional amount of the financial assets and the financial liabilities held for trading, as at 31 December 2012, analysed by period of maturity is as follows:

(Amounts expressed in USD'000)

31 December 2012						
Notional amount with remaining life of						
	Less than three months	Between three months and one year	More than one year	Total	Fair value Assets	Fair value Liabilities
Interest rate swaps	-	-	40,176	40,176	2,552	-
Credit default swaps	-	-	40,901	40,901	-	4,037
Equity options swaps	-	14,903	1,418	16,321	6,718	-
Corridor swaps	-	-	7,518	7,518	-	55
Embedded derivative	-	-	-	-	4,063	98
	-	14,903	90,013	104,916	13,333	4,190

8. Financial assets available for sale

This balance is analysed as follows:

	2013 USD'000	2012 USD'000
Banco Millennium Angola	<u>3</u>	<u>4</u>

Investments in Banco Millennium Angola are accounted for at acquisition cost, since there is no available market value and it is not possible to reliably determine their fair value.

As at 1 January 2010 the Bank reclassified Subordinated loans from the Financial assets available for sale category to the loans and advances to credit institutions category.

As referred in the accounting policy note 1.4 these reclassifications were performed under the scope of IAS 39 – Financial Instruments: Recognition and Measurement, based on the following considerations:

- Market conditions in the first semester of 2010, for financial institutions of peripheral Euro zone countries, that resulted in a strong increase in the volatility, credit spreads and difficulties of issuers to place their financial liabilities in the market;
- Underlying value of the portfolio (the subordinated loans are granted to Banco Comercial Português, S.A.) and intention and capacity of the Bank to hold the financial assets for the foreseeable future or until maturity.

The reclassifications made until 31 December 2013, are analysed as follows:

	At the reclassification date		December 2013		
	Book value USD'000	Fair value USD'000	Book value USD'000	Fair value USD'000	Difference USD'000
From Financial assets available for sale to:					
Loans and receivables	<u>2,593,640</u>	<u>2,593,640</u>	<u>1,233,808</u>	<u>1,083,562</u>	<u>(150,246)</u>

The amounts accounted in the net income and in the fair value reserves during the year ended 31 December 2013 related to reclassified financial assets are analysed as follows:

	P&L		Change in	
	Interest USD'000	Fair value changes USD'000	Fair value reserves USD'000	Equity USD'000
From Financial assets available for sale to:				
Loans and receivables	<u>8,213</u>	<u>-</u>	<u>1,406</u>	<u>9,619</u>

8. Financial assets available for sale (continued)

The reclassifications made until 31 December 2012, are analysed as follows:

	At the reclassification date		December 2012		
	Book value USD'000	Fair value USD'000	Book value USD'000	Fair value USD'000	Difference USD'000
From Financial assets available for sale to:					
Loans and receivables	2,593,640	2,593,640	1,179,289	907,965	(271,324)

The amounts accounted in the net income and in the fair value reserves during the year ended 31 December 2012 related to reclassified financial assets are analysed as follows:

	P&L			Change in	
	Interest USD'000	Fair value changes USD'000	Total USD'000	Fair value reserves USD'000	Equity USD'000
From Financial assets available for sale to:					
Loans and receivables	14,180	-	14,180	1,472	15,652

If the reclassification described previously had not occurred, an increase of USD 121,078,000 (2012: a decrease of USD 217,231,000) would have been recognised in equity during 2013, and there would be no impact in the net income for the year.

9. Hedging derivatives

This balance is analysed as follows:

	2013 USD'000	2012 USD'000
Assets:		
Interest rate swaps	5,232	10,030

The Bank uses derivative financial instruments to hedge its exposure to interest rate risks, resulting from financing and investment activities.

The Bank uses the fair value hedging model. The Bank mainly holds interest rate swaps in its derivatives portfolio, which are used to hedge fair value changes in interest rate risk of debt securities and subordinated debt issued.

The Bank performs periodical effectiveness tests of the hedging relationships and for the year ended 31 December 2013 recorded in the Statements of Comprehensive Income, a loss in the amount of USD 545,000 (2012: a loss in the amount of USD 1,653,000), corresponding to the ineffective part of the fair value hedge relationship, regarding the hedged liabilities referred to above.

The fair value adjustment in the hedged liabilities, regarding the hedged risk, is analysed as follows:

	2013 USD'000	2012 USD'000
Debt securities issued (note 11)	3,518	4,704

The swaps held by the Bank for hedging purposes are all with Banco Comercial Português, S.A.

The analysis of hedging derivatives by maturity as at 31 December 2013 is presented as follows:

(Amounts expressed in USD'000)

31 December 2013						
Notional amount with remaining life of						
	Less than 3 months	Between 3 months and 1 year	More than one year	Total	Fair value Assets	Fair value Liabilities
Interest rate swaps	1,212	57,726	76,082	135,020	5,232	-
	1,212	57,726	76,082	135,020	5,232	-

9. Hedging derivatives (continued)

The analysis of hedging derivatives by maturity as at 31 December 2012 is presented as follows:

(Amounts expressed in USD'000)

	31 December 2012			Total	Fair value Assets	Fair value Liabilities
	Notional amount with remaining life of					
	Less than 3 months	Between 3 months and 1 year	More than one year			
Interest rate swaps	42,411	16,550	150,927	209,888	10,030	-
	42,411	16,550	150,927	209,888	10,030	-

10. Deposits from credit institutions

This balance is analysed as follows:

	2013 USD'000	2012 USD'000
Banco Comercial Português	<u>1,513,029</u>	<u>897,932</u>

As at 31 December 2013, Deposits from credit institutions includes interest payable amounting to USD 2,133,000 (2012: USD 341,000).

This balance, by the period to maturity, is analysed as follows:

	2013 USD'000	2012 USD'000
Up to 3 months	841,205	255,210
1 to 5 years	671,824	642,722
	<u>1,513,029</u>	<u>897,932</u>

The range of interest rates applicable to these balances as at 31 December 2013, is analysed as follows:

Currency	Minimum	Maximum
EUR	0.23%	3.34%
JPY	3.16%	3.16%
CHF	3.04%	3.04%
HKD	3.33%	3.33%

10. Deposits from credit institutions (continued)

The range of interest rates applicable to these balances as at 31 December 2012 is analysed as follows:

Currency	Minimum	Maximum
EUR	0.20%	3.18%
JPY	2.72%	2.72%
CHF	2.73%	2.73%
HKD	3.37%	3.37%

The currency exposure related with these operations is analysed as follows:

	2013 USD'000	2012 USD'000
EUR	1,512,564	897,388
JPY	396	476
CHF	56	55
HKD	13	13
	<u>1,513,029</u>	<u>897,932</u>

11. Debt securities issued

This balance is analysed as follows:

	2013 USD'000	2012 USD'000
Bonds issued	455,382	643,206
Adjustment in the hedged item (Note 9)	3,518	4,704
Accruals, deferred cost and income, other adjustments	1,624	1,274
	<u>460,524</u>	<u>649,184</u>

On 8 October 1998 the Bank established a USD 1,500,000,000 Note Programme under which it could issue notes unconditionally and irrevocably guaranteed by Banco Comercial Português, S.A. This program was redenominated to Euro in September 2006.

11. Debt securities issued (continued)

Since its inception the programme has been updated as follows:

Date of increase and update	New amount	Currency
1999	4,000,000,000	USD
2000	6,000,000,000	USD
2001	8,000,000,000	USD
2003	10,000,000,000	USD
2004	12,000,000,000	USD
2005	15,000,000,000	USD
2006	20,000,000,000	EUR
2007	25,000,000,000	EUR

The balance Bonds issued includes securities for which the embedded derivative was separated from the host contract, in accordance with note 7 and accounting policy as referred to in note 1.2.

Under the above mentioned program, as at 31 December 2013, the detail of the notes issued is as follows:

11. Debt securities issued (continued)

Issue	Issue Date	Maturity date	Interest Rate	USD'000
BCP Fin.Bank – EUR 4.484 m	2009	2014	Euribor 3 months + remain prize (1st year 0.125%; 2nd year 0.250%; 3rd year 0.500%; 4th year 0.750%; 5th year 1.000%)	1,637
BCP Fin.Bank – EUR 2.353 m	2009	2014	Euribor 3 months + remain prize (1st year 0.125%; 2nd year 0.250%; 3rd year 0.750%; 4th year 1.00%; 5th year 1.250%)	666
BCP Fin.Bank – EUR 0.554 m	2009	2014	Euribor 3 months + remain prize (1st year 0.125%; 2nd year 0.250%; 3rd year 0.750%; 4th year 1.0%; 5th year 1.250%)	44
BCP Fin.Bank – EUR 0.758 m	2009	2014	Euribor 3 months + remain prize (1st year 0.125%; 2nd year 0.250%; 3rd year 0.750%; 4th year 1.0%; 5th year 1.250%)	306
BCP Fin.Bank – EUR 15 m	2009	2017	Euribor 3 months + 2.5% (CLN)	20,687
BCP Fin.Bank – EUR 1.648 m	2009	2014	Euribor 3 months + remain prize (1st year 0.125%; 2nd year 0.250%; 3rd year 0.750%; 4th year 1.00%; 5th year 1.250%)	394
BCP Fin.Bank – EUR 15.492 m	2009	2014	1st year=2.50%; 2nd year=2.75%; 3rd year=3.00%; 4th year=3.50%; 5th year=4.50%	17,694
BCP Fin.Bank – EUR 5 m	2009	2015	Euribor 3 months + 2.25%	6,896
BCP Fin.Bank – EUR 12.951 m	2009	2014	1st year=2.50%; 2nd year=2.75%; 3rd year=3.00%; 4th year=3.50%; 5th year=4.25%	13,442
BCP Fin.Bank – EUR 8.424 m	2010	2015	1st year=2.50%; 2nd year= 2.75%; 3rd year= 3.25%; 4th year= 4.125%; 5th year = 5%	8,636
BCP Fin.Bank – EUR 0.026 m	2010	2018	1st Sem.= 1.75%; 2nd Sem. = 2%; 3rd Sem. = 2.25%; 4th Sem. = 2.5%; 5th sem. = 2.75%; 6th Sem. = 3%; 7th Sem. = 3.25%	28
BCP Fin.Bank – EUR 15.733 m	2010	2015	1st Sem.=2.25%; 2nd Sem. =2.5%; 3rd Sem. = 2.6%; 4th Sem. =2.8%; 5th Sem. =3%; 6th Sem. =3.15%; 7th Sem. =3.2%; 8th Sem. = 3.5%; 9th Sem. =3.8%; 10th Sem. =4.5%	16,082
BCP Fin.Bank – EUR 4.64 m	2010	2015	1st Sem.=2%; 2nd Sem. =2.125%; 3rd Sem. = 2.25%; 4th Sem. =2.375%; 5th Sem. =2.5%; 6th Sem.=2.75%; 7th Sem. =2.875%; 8th Sem. = 3.125%; 9th Sem. =3.5%; 10th Sem. =4%	4,787

11. Debt securities issued (continued)

Issue	Issue Date	Maturity date	Interest Rate	USD'000
BCP Fin.Bank – EUR 3.857 m	2010	2014	1st Sem. =2%; 2nd Sem. =2.125%; 3rd Sem. = 2.25%; 4th Sem. =2.375%; 5th Sem. =2.50%; 6th Sem. =2.625%; 7th Sem. =2.75%; 8th Sem. = 3.25%	5,016
BCP Fin.Bank – EUR 0.785 m	2010	2014	1st Sem. =1.75%; 2nd Sem. =1.875%; 3rd Sem. = 2%; 4th Sem. =2.125%; 5th Sem. =2.25%; 6th Sem. =2.375%; 7th Sem. =2.5%; 8th Sem. = 3%	909
BCP Fin.Bank – USD 9.32 m	2010	2014	1st Sem. =2%; 2nd Sem. =2.125%; 3rd Sem. = 2.25%; 4th Sem. =2.375%; 5th Sem. =2.5%; 6th Sem. =2.75%; 7th Sem. =3%; 8th Sem. = 3.5%	5,620
BCP Fin.Bank – EUR 3.635 m	2010	2014	1st Sem. =1.875%; 2nd Sem. =2%; 3rd Sem. = 2.125%; 4th Sem. =2.25%; 5th Sem. =2.375%; 6th Sem. =2.5%; 7th Sem. =2.625%; 8th Sem. = 3.25%	4,421
BCP Fin.Bank – EUR 1.458 m	2010	2014	1st Sem. =1.625%; 2nd Sem. =1.75%; 3rd Sem. = 1.875%; 4th Sem. =2%; 5th Sem. =2.125%; 6th Sem. =2.25%; 7th Sem. =2.375%; 8th Sem. = 3%	1,735
BCP Fin.Bank – USD 3.069 m	2010	2015	1st Sem. =1.875%; 2nd Sem. =2%; 3rd Sem. = 2.125%; 4th Sem. =2.25%; 5th Sem. =2.375%; 6th Sem. =2.5%; 7th Sem. =2.625%; 8th Sem. = 2.875%; 9th Sem. =3.25%; 10th Sem. =3.75%	972
BCP Fin.Bank – EUR 11.537 m	2010	2015	1st Sem. =2.175%; 2nd Sem. =2.3%; 3rd Sem. = 2.425%; 4th Sem. =2.55%; 5th Sem. =2.8%; 6th Sem. =3.05%; 7th Sem. =3.3%; 8th Sem. = 3.55%; 9th Sem. =3.8%; 10th Sem. =4.3%	11,626
BCP Fin.Bank – EUR 1.756 m	2010	2015	1st Sem. =1.875%; 2nd Sem. =2%; 3rd Sem. = 2.125%; 4th Sem. =2.25%; 5th Sem. =2.375%; 6th Sem. =2.5%; 7th Sem. =2.75%; 8th Sem. = 2.875%; 9th Sem. =3%; 10th Sem. =3.5%	2,087
BCP Fin.Bank – EUR 19.203 m	2010	2015	1st Sem. =2.175%; 2nd Sem. =2.3%; 3rd Sem. = 2.425%; 4th Sem. =2.55%; 5th Sem. =2.8%; 6th Sem. =3.05%; 7th Sem. =3.3%; 8th Sem. = 3.55%; 9th Sem. =3.8%; 10th Sem. =4.3%	20,269

11. Debt securities issued (continued)

Issue	Issue Date	Maturity date	Interest Rate	USD'000
BCP Fin.Bank – EUR 3.547 m	2010	2015	1st Sem. =1.875%; 2nd Sem. =2%; 3rd Sem. = 2.125%; 4th Sem. =2.25%; 5th Sem. =2.375%; 6th Sem. =2.5%; 7th Sem. =2.75%; 8th Sem. = 2.875%; 9th Sem. =3%; 10th Sem. =3.5%	4,267
BCP Fin.Bank – EUR 1.078 m	2010	2013	1st Sem.= 2.5%; 2nd Sem. = 2.75%; 3rd Sem. = 3%; 4th Sem. = 3.25%; 5th sem. = 3.5%; 6th Sem. = 3.75%; 7th Sem. = 4%	1 192
BCP Finance Bank - EUR 0.354 m	2011	2014	1st sem.=2.500%; 2nd sem.=2.625%; 3rd sem.=2.750%; 4th sem.=3.000%; 5th sem.=3.125%; 6th sem.=4.000%	407
BCP Finance Bank - EUR 0.525 m	2011	2014	1st sem.=2.500%; 2nd sem.=2.625%; 3rd sem.=2.750%; 4th sem.=3.000%; 5th sem.=3.125%; 6th sem.=4.000%	385
				<u>455,382</u>

The currency exposure related to these operations is analysed as follows:

	2013 USD'000	2012 USD'000
EUR	442,890	627,141
USD	12,492	16,065
	<u>455,382</u>	<u>643,206</u>

12. Other financial liabilities at fair value through profit and loss

This balance is analysed as follows:

	2013 USD'000	2012 USD'000
Bonds issued	6,861	21,467
Accruals, deferred costs and income, other adjustments	(251)	6,309
	<u>6,610</u>	<u>27,776</u>

Other financial liabilities at fair value through profit or loss are measured in accordance with internal valuation techniques considering mainly observable market inputs. In accordance with the hierarchy of the valuation sources, as referred in IFRS 13, these instruments are classified in level 2.

Profits arising from other financial instruments at fair value through profit and loss include a loss in the amount of USD 493,000 (2012: loss in the amount of USD 7,914,000) resulting from fair value changes in the credit risk of the Bank related to bonds issued, as referred to in note 1.2. (i) 1 b)

As at 31 December 2013 the notes issued under the EUR 25,000,000,000 programme and classified in this caption are detailed as follows:

Issue	Issue Date	Maturity date	Interest Rate	USD'000
BCP Fin.Bank – EUR 1.075 m	2009	2014	Indexed to Dow Jones euroStoxx 50	1,483
BCP Fin.Bank – EUR 3.9 m	2009	2016	Euribor 3 months +margin between 2.5% and 5%	5,378
				<u>6,861</u>

The currency exposure related to these operations is analysed as follows:

	2013 USD'000	2012 USD'000
EUR	<u>6,861</u>	<u>21,467</u>

13. Subordinated debt

As at 31 December 2013, the subordinated debt issued by BCP Finance Bank, Ltd. is detailed as follows:

Currency	Amount	Maturity	Interest rate	USD'000
Euro	71,259,000	2016	1.09%	98,273
Euro	98,850,000	2021	13.00%	136,324
				234,597
Accruals				3,911
Prepaid and deferred costs				(38,269)
				<u>200,239</u>

As at 31 December 2012, the subordinated debt issued by BCP Finance Bank, Ltd. is detailed as follows:

Currency	Amount	Maturity	Interest rate	USD'000
Euro	71,259,000	2016	0.98%	94,019
Euro	98,850,000	2021	13.00%	130,423
				224,442
Accruals				3,744
Prepaid and deferred costs				(38,528)
				<u>189,658</u>

14. Other liabilities

This balance is analysed as follows:

	2013 USD'000	2012 USD'000
Other payables	<u>78</u>	<u>124</u>

15. Share capital

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

	2013 USD'000	2012 USD'000
Ordinary shares	246,000	246,000

As at 15 January 2010 and following a resolution of BCP Internacional II, Sociedade Unipessoal SGPS, Lda (during 2010, BCP Internacional II, Sociedade Unipessoal SGPS changed its name to Millennium bcp Participações, SGPS, Sociedade Unipessoal, Lda.), the previous sole shareholder of the Bank, and as previously approved by the Cayman Islands Monetary Authority (CIMA), the Bank converted the 31,500,000 preference shares into ordinary shares with a nominal value of 1 USD each.

As at 31 December 2011 and 2010 the authorised capital of the Bank is represented by 246,000,000 ordinary shares with a nominal value of USD 1 each, and is fully paid.

The Bank has complied with all externally imposed capital requirements throughout the year, namely the capital adequacy ratio of 36.6% (31 December 2012: 44.3%). The regulatory limit imposed by CIMA is 12%.

16. Fair value reserves and retained earnings

This balance is analysed as follows:

	2013 USD'000	2012 USD'000
Share premium	315,000	315,000
Fair value reserve	5,214	6,620
Other reserves and retained earnings	294,115	287,798
	614,329	609,418

The balance Fair Value Reserves correspond to the non amortised amount of Fair Value Reserves related to Subordinated loans that were reclassified from Financial assets available for sale to Loans and receivables as detailed in note 8.

17. Post balance sheet events

There are no new issues or any other subsequent events requiring disclosure through to the date of this report.

18. Taxation

There are no taxes on income or gains in the Cayman Islands and the Bank has received an undertaking from the Governor in Council of the Cayman Islands exempting it from all local taxation on future profits, income or gains that may be levied in the Cayman Islands until April 28, 2018. Accordingly, no provision for income taxes is included in these financial statements.

19. Fair value

Fair value is based on market prices, whenever these are available. If market prices are not available, as occurs regarding many products sold to clients, fair value is estimated through internal models based on cash-flow discounting techniques. Cash-flows for the different instruments sold are calculated according with its financial characteristics and the discount rates used include both the interest rate curve and the current conditions of the pricing policy in the Bank.

Therefore, the fair value obtained is influenced by the parameters used in the evaluation model that, have some degree of judgement and reflect exclusively the value attributed to different financial instruments. However it does not consider prospective factors, like the future business evolution. Therefore the values presented cannot be understood as an estimate of the economic value of the Bank.

The main methods and assumptions used in estimating the fair value for the financial assets and financial liabilities of the Bank are presented as follows:

Loans and advances to credit institutions repayable on demand and Deposits from credit institutions repayable on demand

Considering the short term of these financial instruments, the amount in the balance sheet is a reasonable estimate of its fair value.

Other loans and advances to credit institutions and Deposits from credit institutions

The fair value of these financial instruments is calculated discounting the expected principal and interest future cash flows for these instruments, considering that the payments of the instalments occur in the contractually defined dates. The discount rate used reflects the current conditions applied by the Bank in identical instruments for each of the different residual maturities. The discount rate includes the market rates for the residual maturity date (rates from the monetary market or from the interest rate swap market, at the end of the year). As at 31 December 2013, the average discount rate was 3.32% for loans and advances and 0.70% for the deposits. As at 31 December 2012, the average discount rate was 5.45% for loans and advances and 2.77% for the deposits.

Financial assets available for sale

These financial instruments are carried at fair value. Fair value is based on market prices, whenever these are available. If market prices are not available, fair value is estimated through numerical models based on cash-flow discounting techniques, using the interest rate curve adjusted for related factors, predominantly the credit risk and liquidity risk, determined in accordance with the market conditions and time frame. Equity instruments for which a quoted price in an active market does not exist and whose fair value cannot be reliably determined are accounted for at cost.

19. Fair value (continued)

Other financial liabilities held for trading at fair value through profit or loss

These financial instruments are carried at fair value. Fair value is based on market prices, whenever these are available. If market prices are not available, fair value is estimated through numerical models based on cash-flow discounting techniques, using the interest rate curve adjusted for related factors, predominantly the credit risk and liquidity risk, determined in accordance with the market conditions and time frame.

Hedging and trading derivatives

All derivatives are recorded at fair value.

In case of derivative contracts that are quoted in organised markets their market prices are used. As for derivatives traded "Over-the-counter", methods and models applied are methods based on numerical cash-flow discounting techniques and models for assessment of options considering variables of the market, particularly the interest rates on the instruments in question, and where necessary, their volatilities.

Interest rates are determined based on information disseminated by the suppliers of financial quotes - Reuters and Bloomberg - more specifically for prices of interest rate swaps. The values for the very short-term rates are obtained from similar sources regarding interbank money market. The interest rate curve obtained is calibrated with the values of interest rate short-term futures. Interest rates for specific periods of the cash flows are determined by appropriate interpolation methods.

The interest rate curves are used in the projection of the non-deterministic cash flows such as indexes.

Debt securities issued and Subordinated debt

For these financial instruments, the fair value was calculated for components that are not yet reflected in the balance sheet. For instruments that are at fixed rate and for which the Bank adopts "hedge-accounting", the fair value related to the interest rate risk is already recorded. For the fair value calculation, other components of risk were considered in addition to the interest rate risk already recorded.

The fair value is based on market prices, whenever these are available. If market prices are not available, fair value is estimated through numerical models based on cash-flow discounting techniques, using the interest rate curve adjusted by related factors, predominantly the credit risk and trading margin, the latter only in the case of issues placed for non-institutional customers of the Bank. As original reference, the Bank applies the curves resulting from the interest rate swaps markets for each specific currency. The credit risk (credit spread) is represented by an excess from the curve of interest rate swaps established specifically for each term and class of instruments based on the market prices on equivalent instruments.

For own issues placed among non institutional customers of the Bank, one more differential (spread trade) was added, which represents the margin between the financing cost in the institutional market and the cost obtained by distributing the respective instrument in the commercial network owned.

The average reference rates used in the calculation of the fair value of senior and collateralised issues was 3.53% (31 December 2012: 4.86%) and for subordinated issues 8.32% (31 December 2012: 9.59%).

19. Fair value (continued)

As at 31 December 2013, the following table presents the values of the interest rates used in the definition of the interest rate curves of main currencies, namely Euro and USD used to determine the fair value of the assets and liabilities of the Bank:

	Currencies	
	EUR	USD
1 day	0.13%	0.10%
1 month	0.17%	0.16%
3 month	0.25%	0.25%
6 month	0.26%	0.36%
9 month	0.43%	0.48%
1 year	0.41%	0.31%
2 year	0.54%	0.47%
3 year	0.77%	0.86%
5 year	1.26%	1.77%
7 year	1.68%	2.44%
10 year	2.16%	3.05%
15 year	2.59%	3.54%
20 year	2.71%	3.74%
30 year	2.73%	3.88%

19. Fair value (continued)

The following table shows the carrying value and the fair value of the financial assets and liabilities of the Bank, as at 31 December, 2013:

(Amounts expressed in USD '000)

	31 December 2013				
	Held for trading	Available for sale	Amortised cost	Book value	Fair value
<i>Assets</i>					
Loans and advances to credit institutions					
Repayable on demand	-	-	263	263	263
Other loans and advances	-	-	3,034,567	3,034,567	2,971,994
Financial assets held for trading	2,078	-	-	2,078	2,078
Financial assets available for sale	-	3	-	3	3
Hedging derivatives	-	-	5,232	5,232	5,232
	<u>2,078</u>	<u>3</u>	<u>3,040,062</u>	<u>3,042,143</u>	<u>2,979,570</u>
<i>Liabilities</i>					
Deposits from credit institutions	-	-	1,513,029	1,513,029	1,511,397
Debt securities issued	-	-	460,524	460,524	438,715
Financial liabilities held for trading	1,334	-	-	1,334	1,334
Other financial liabilities through profit or loss	6,610	-	-	6,610	6,610
Subordinated debt	-	-	200,239	200,239	270,216
	<u>7,944</u>	<u>-</u>	<u>2,173,792</u>	<u>2,181,736</u>	<u>2,228,272</u>

19. Fair value (continued)

The following table shows the carrying value and the fair value of the financial assets and liabilities of the Bank, as at 31 December, 2012:

(Amounts expressed in USD'000)

31 December 2012					
	Held for trading	Available for sale	Amortised cost	Book value	Fair value
<i>Assets</i>					
Loans and advances to credit institutions					
Repayable on demand	-	-	384	384	384
Other loans and advances	-	-	2,600,388	2,600,388	2,359,851
Financial assets held for trading	13,333	-	-	13,333	13,333
Financial assets available for sale	-	4	-	4	4
Hedging derivatives	-	-	10,030	10,030	10,030
	<u>13,333</u>	<u>4</u>	<u>2,610,802</u>	<u>2,624,139</u>	<u>2,383,602</u>
<i>Liabilities</i>					
Deposits from credit institutions	-	-	897,932	897,932	864,765
Debt securities issued	-	-	649,184	649,184	595,019
Financial liabilities held for trading	4,190	-	-	4,190	4,190
Other financial liabilities through profit or loss	27,776	-	-	27,776	27,776
Subordinated debt	-	-	189,658	189,658	173,554
	<u>31,966</u>	<u>-</u>	<u>1,736,774</u>	<u>1,768,740</u>	<u>1,665,304</u>

For debt securities issued, the fair value disclosed above includes all components of these instruments, including the receivable amount of USD 1,304,000 (2012: a receivable amount of USD 3,965,000) which is recorded in financial assets and liabilities held for trading and reflects the fair value of the embedded derivatives.

As referred in IFRS 13, financial instruments accounted for at fair value are categorised into the three following measurement levels according to the inputs used in the valuation techniques:

- Level 1: financial instruments valued in accordance with quoted market prices (unadjusted) and with quotes from providers of prices of transactions in active markets.
- Level 2: financial instruments valued in accordance with internal valuation techniques considering market observable parameters and inputs.
- Level 3: financial instruments measured in accordance with valuation techniques based on inputs considering non observable market parameters and inputs with significant impact in the instruments valuation and quotes from providers of prices that use non observable market inputs.

19. Fair value (continued)

The level of the fair value of the financial instruments, in accordance with IFRS 13, as at 31 December 2013, is detailed as follows:

	Fair value		
	Level 1 USD'000	Level 2 USD'000	Level 3 USD'000
Loans and advances to credit institutions			
Repayable on demand	263	-	-
Other loans and advances	-	-	2,971,994
Financial assets held for trading	-	2,078	-
Hedging derivatives (assets)	-	5,232	-
	<u>263</u>	<u>7,310</u>	<u>2,971,994</u>
Deposits from credit institutions	-	-	1,511,397
Debt securities issued	-	438,715	-
Financial liabilities held for trading	-	1,334	-
Other financial liabilities through profit or loss	-	6,610	-
Subordinated debt	-	270,216	-
	<u>-</u>	<u>716,875</u>	<u>1,511,397</u>

The fair value of the financial instruments of the Bank, as well as its level in accordance with IFRS 13, as at 31 December 2012, are detailed as follows:

	Fair value		
	Level 1 USD'000	Level 2 USD'000	Level 3 USD'000
Loans and advances to credit institutions			
Repayable on demand	384	-	-
Other loans and advances	-	-	2,359,851
Financial assets held for trading	-	13,333	-
Hedging derivatives (assets)	-	10,030	-
	<u>384</u>	<u>23,363</u>	<u>2,359,851</u>
Deposits from credit institutions	-	-	864,765
Debt securities issued	-	595,019	-
Financial liabilities held for trading	-	4,190	-
Other financial liabilities through profit or loss	-	27,776	-
Subordinated debt	-	173,554	-
	<u>-</u>	<u>800,539</u>	<u>864,765</u>

19. Fair value (continued)

The caption Financial assets available for sale in the amount of USD 3,000 (2012: USD 4,000) is comprised by the investments in Banco Millennium Angola which are accounted for at acquisition cost, since there is no available market value and it is not possible to really determine their fair value, as referred in note 8.

20. Related party transactions

The significant transactions and balances with the Group Banco Comercial Português' companies, including Banco Comercial Português, S.A., the ultimate holding company, are stated in the respective notes.

21. Risk Management

The Bank is subject to several risks throughout the course of its business. The risks incurred by the various companies of the Millennium Group are managed centrally, in co-ordination with the local departments and considering the specific risks of each business.

The Group's risk-management policy is designed to ensure, at all times, an adequate relationship between its own funds and the business it carries on, and also to evaluate the risk/return profile by business line.

The Bank's financial statements are consistent with its risk management and control policies, as integrated in the centralised framework of the Millennium Group, which is described in some detail in the Group's Annual Report.

The main risks incurred by the Bank are:

Credit Risk

Since all of the financial assets of the Bank relate to a single counterparty – Banco Comercial Português, SA – credit risk is totally contained and represented within this intra-group relationship.

Liquidity risk

Currently, the Bank has a treasury surplus and has no funding needs. In the event that this situation is inversed, Banco Comercial Português, SA, will cater to all funding needs.

The contractual maturities of the financial liabilities are disclosed in the respective notes, namely notes 7, 10, 11, 12 and 13.

Market Risks

The main measure used by the Bank in evaluating market risk for its trading portfolios is the Value at Risk (VaR), representing the maximum estimated loss that will arise on a 10-day holding period, with a 99% confidence level. As at 31 December 2013, this indicator amounted to USD 425,000 (2012: USD 379,000).

Another relevant market risk measure, related to interest rate risk, is the repricing gap amount of the Bank's assets, which is estimated considering a scenario of exchanging market interest rates. In this sense, the interest rate sensitivity of the balance-sheet is calculated as the difference between the present value of the interest rate mismatch (after discounting the market interest rates) and the discounted value of the same cash flows considering parallel shifts of the market interest rates (of +/- 100 and +/- 200 basis points).

21. Risk Management (continued)

The following tables show the expected impact on the banking book economic value (at the end of 2013 and 2012) due to parallel shifts of the yield curve:

2013				(USD '000)
Currency	-200 bp	-100 bp	+100 bp	+200 bp
EUR	(27,104)	(15,569)	15,637	30,204
USD	(1,594)	(1,594)	4,785	9,470
Total	(28,698)	(17,163)	20,422	39,674

2012				(USD '000)
Currency	-200 bp	-100 bp	+100 bp	+200 bp
EUR	(23,090)	(17,052)	17,537	33,736
USD	(1,532)	(1,532)	4,771	9,444
Total	(24,622)	(18,584)	22,308	43,180

22. Accounting Standards Recently Issued

Accounting standards and interpretations recently issued

Recently issued pronouncements already adopted by the Bank in preparation of the Financial Statements are the following:

Presentation of Items of Other Comprehensive Income – Amendments to IAS 1 – Presentation of Financial Statements

The IASB, issued on 16th June 2011, amendments to “IAS 1 – Presentation of Financial Statements”, effective (with retrospective application) for annual periods beginning on or after 1st January 2012. Those amendments were endorsed by EU Commission Regulation 475/2012, 5th June.

As a result of the amendments to IAS 1, for the 2013 financial statements the Bank modified the presentation of items of OCI in its statement of profit or loss and OCI, to present items that would be reclassified to profit or loss in the future separately from those that would never be. Comparative information was re-presented on the same basis.

IFRS 7 (Amended) - Financial Instruments: Disclosure – Offsetting Financial Assets and Financial Liabilities

The IASB, issued on 16th December 2011, amendments to “IFRS 7 – Financial Instruments: Disclosure – Offsetting Financial Assets and Financial Liabilities”, effective (with retrospective application) for annual periods beginning on or after 1st January 2013. Those amendments were endorsed by EU Commission Regulation 1256/2012, 11th December.

There was no impact in the financial statements of the Bank from the adoption of this interpretation.

Improvements to IFRS (2009-2011)

The annual improvements cycle 2009-2011, issued by IASB on 17th May 2012, introduce amendments, with effective date on, or after, 1st January 2013, to the standards IFRS 1, IAS 1 and IFRIC 2.

IAS 1 Presentation of Financial Statements

This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is related with the previous period.

IAS 32 Financial Instruments, Presentation and IFRIC 2

The improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes, avoiding any interpretation that may mean any other application.

22 Accounting Standards Recently Issued (continued)

IFRS 13 – Fair Value Measurement

The IASB, issued on 12th May 2011, “IFRS 13 fair value Measurement”, effective (with prospective application) for annual periods beginning on or after 1st January 2013. These amendments were endorsed by EU Commission Regulation 1255/2012, 11th December.

In accordance with the transitional provisions of IFRS 13, the Bank has applied the new definition of fair value, as set out in note 1a), prospectively. The change had no significant impact on the measurements of the Bank’s assets and liabilities, but the Bank has included new disclosures in the financial statements, which are required under IFRS 13. These new disclosure requirements are not included in the comparative information. However, to the extent that these disclosures were required by other standards before the effective date of IFRS 13, the Bank has provided the relevant comparative disclosures under those standards.

The Bank chose not to have an early application of the following standards endorsed by the EU but not mandatory yet:

IAS 32 (Amended) - Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities

The IASB, issued on 16th December 2011, amendments to “IAS 32 – Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities”, effective (with retrospective application) for annual periods beginning on or after 1st January 2014. Those amendments were endorsed by EU Commission Regulation 1256/2012, 11th December.

The IASB amended IAS 32 to add application guidance to address the inconsistent application of the standard in practice. The application guidance clarifies that the phrase “currently has a legal enforceable right of set-off” means that the right of set-off must not be contingent on a future event and must be legally enforceable in the normal course of business, in the event of default and in the event of insolvency or bankruptcy, of the entity and all of the counterparties.

The application guidance also specifies the characteristics of gross settlement systems in order to be considered equivalent to net settlement.

The Bank is not expecting a significant impact from the adoption of the amendment to IAS 32, taking into consideration the accounting policy already adopted.

IAS 39 (Revised) – Novation of Derivatives and Continuation of Hedge Accounting

The IASB, issued on 27th June 2013, this amendment, effective (with retrospective application) for annual periods beginning on or after 1st January 2014. These amendments were endorsed by EU Commission Regulation 1375/2013, 19th December.

The objective of the amendments is to provide relief in situations where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations. Such a relief means that hedge accounting can continue irrespective of the novation which, without the amendment, would not be permitted.

22 Accounting Standards Recently Issued (continued)

Improvements to IFRS (2010-2012)

The annual improvements cycle 2010-2012, issued by IASB on 12th December 2013, introduces amendments, with effective date on or after 1st July 2014, to the standards IFRS 8, IFRS 13 and IAS 24.

IFRS 8 – Aggregation of operation segments and reconciliation of the total of the reportable segments' assets to entity's assets

The amendment clarify the criteria for aggregation of operating segments and requires entities to disclose those factors that are used to identify the entity's reportable segments when operating segments have been aggregated.

To achieve consistency, reconciliation of the total of the reportable segments' assets to the entity's assets should be disclosed, if that amount is regularly provided to the chief operating decision maker.

IFRS 13 – Short-term receivables and payables

IASB amends the basis of conclusion in order to clarify that, by deleting IAS 39AG79, in applying IFRS 3, IASB did not intend to change the measurement requirements for short-term receivables and payables with no interest, that should be discount if such discount is material, noting that IAS 8.8 already permits entities not apply accounting policies set out in accordance with IFRSs when the effect of applying them is immaterial.

IAS 24 – Related Party Transactions – Key management personal services

In order to address the concerns about the identification of key management personal (KMP) costs, when KMP services of the reporting entity are provided by entities (management entity e.g. in mutual funds), IASB clarifies that, the disclosure of the amounts incurred by the entity for the provision of KMP services that are provided by a separate management entity shall be disclosed but it is not necessary to present the information required in paragraph 17.

Improvements to IFRS (2011-2013)

The annual improvements cycle 2011-2013, issued by IASB on 12th December 2013, introduces amendments, with effective date on or after 1st July 2014, to the standard IFRS 1.

IFRS 1 – meaning of "effective IFRS"

IASB clarifies that if a new IFRS is not yet mandatory but permits early application, that IFRS is permitted, but not required, to be applied in the entity's first IFRS financial statements.

22 Accounting Standards Recently Issued (continued)

IFRS 9 Financial instruments (issued in 2009 and revised in 2010)

IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets.

IFRS 9 (2010) introduces additions relating to financial liabilities. IFRS 9 (2013) introduces the hedging requirements. The IASB currently has an active project of additional disclosures requirements limited amendments to the classification and measurement requirements of IFRS 9 and new requirements to address the impairment of financial assets.

The IFRS 9 (2009) requirements represent a significant change from the existing requirements in IAS 39 in respect of financial assets. The standard contains two primary measurement categories for financial assets: amortised cost and fair value. A financial asset would be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets would be measured at fair value. The standard eliminates the existing IAS 39 categories of held-to-maturity, available-for-sale and loans and receivables.

For an investment in an equity instrument that is not held for trading, the standard permits an irrevocable election, on initial recognition, on an individual share-by-share basis, to present all fair value changes from the investment in OCI. No amount recognised in OCI would ever be reclassified to profit or loss at a later date. However, dividends on such investments would be recognised in profit or loss, rather than OCI, unless they clearly represent a partial recovery of the cost of the investment.

Investments in equity instruments in respect of which an entity does not elect to present fair value changes in OCI would be measured at fair value with changes in fair value recognised in profit or loss. The standard requires derivatives embedded in contracts with a host that is a financial asset in the scope of the standard not to be separated; instead, the hybrid financial instrument is assessed in its entirety for whether it should be measured at amortised cost or fair value.

IFRS 9 (2010) introduces a new requirement in respect of financial liabilities designated under the fair value option to generally present fair value changes that are attributable to the liability's credit risk in OCI rather than in profit or loss. Apart from this change, IFRS 9 (2010) largely carries forward without substantive amendment the guidance on classification and measurement of financial liabilities from IAS 39.

IFRS 9 (2013) introduces new requirements for hedge accounting that align hedge accounting more closely with risk management. The requirements also establish a more principles-based approach to hedge accounting and address inconsistencies and weaknesses in the hedge accounting model in IAS 39.

The mandatory effective date of IFRS 9 is not specified but will be determined when the outstanding phases are finalised.

The Bank has started the process of evaluating the potential effect of this standard but is waiting for the finalisation of the limited amendments before the evaluation can be completed. Given the nature of the Bank's operations, this standard is expected to have a pervasive impact on the Bank's financial statements.

Statement of Directors' Responsibilities

To the best of our knowledge, the financial statements of BCP Finance Bank, Ltd., which comprise the balance sheet as at 31 December 2013, the statement of income and retained earnings, statement of changes in shareholder's equity and cash flow statement for the year ended on 31 December 2013 have been prepared in accordance with the International Financial Reporting Standards, give a fair view, in all material respects, of the assets, liabilities, financial position and profit or loss of BCP Finance Bank, Ltd. and the management report includes a fair review of the development, business performance and financial position of the Bank, together with a description of the principal risks and uncertainties that may affect its activity.

The Board of Directors,

Filipe Maria de Sousa Ferreira Abecasis, *Chairman and Director*
Maria Helena Braga Soares Carneiro, *Vice-Chairman and Director*
Belmira Abreu Cabral, *Director*
José Carlos de Castro Monteiro, *Director*
Alex António Urtubia, *Director*