BCP Finance Bank, Ltd.
First Half 2013 Report & Accounts

Management Report 1st Half 2013

BCP Finance Bank, Ltd. (also referred as "the Bank") acts as an overseas finance vehicle of Banco Comercial Português, S.A. and is wholly-owned by Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda., a 100% Subsidiary of Banco Comercial Português, S.A.. The head office of BCP Finance Bank, Ltd. is in the Cayman Islands.

The financial statements for the periods ended 30 June 2013 and 2012 and 31 December 2012 have been prepared in accordance with the International Financial Reporting Standards (IFRS).

There were no changes to the share capital of BCP Finance Bank, Ltd., which as of 30 June 2013 and 31 December 2012 totaled USD 246.0 million, representing 246 million ordinary shares, with a nominal value of USD 1 each fully paid. Total assets of the Bank stood at USD 2,940.8 million as of 30 June 2013, showing an increase of 12.1% from USD 2,624.3 million as of 31 December 2012 due to the increase in loans and advances to credit institutions.

Loans and advances to credit institutions totaled USD 2,928.7 million as of 30 June 2013 compared to USD 2,600.7 million as of 31 December 2012, which refers mainly to loans and advances to the Parent Bank, Banco Comercial Português, S.A..

As of 30 June 2013 total liabilities stood at USD 2,090.2 million, showing an increase of 18.2% from USD 1,768.9 million on 31 December 2012. This evolution was essentially determined by the rise in deposits from credit institutions (+57.7%) which exceeded the reduction in debt securities issued (-28.1%).

Deposits from credit institutions are the main component of total liabilities, representing 68% of total liabilities, and stood at USD 1,416.2 million as of 30 June 2013 (USD 897.9 million as of 31 December 2012). This balance sheet liability item refers to deposits held by the Parent Bank, Banco Comercial Português, S.A..

Debt securities issued by BCP Finance Bank, Ltd. decreased to USD 466.8 million as of 30 June 2013 from USD 649.2 million as of 31 December 2012, as a result of the Group's and the entity's liability management strategy.

Other financial liabilities at fair value through profit and loss dropped to USD 6.2 million as of 30 June 2013 (USD 27.8 million as of 31 December 2012). As at 30 June 2013 results included a loss in the amount of USD 0.4 million (June 2012: a loss in the amount of USD 7.2 million) related to fair value changes in the credit risk (spread) of the Bank related to bonds issued.

Subordinated debt amounted to USD 197.2 million as of 30 June 2013, compared to USD 189.7 million as of 31 December 2012.

BCP Finance Bank, Ltd. presented a loss of USD 1.5 million in the first half of 2013, compared to a profit of USD 5.3 million in the first half of 2012. This is mostly due to the decrease in net profit from trading and hedging activities which was USD 0.1 million in the first half of 2013 compared to USD 10.0 million in the same period of 2012.

The decrease in net profit from trading is mainly explained by the decrease of the repurchases of debt securities issued and of the gains and losses arising from them - USD 0.4 million in June 2013 versus USD 14.1 million in June 2012.

Net interest income amounted to negative USD 1.5 million in the first half of 2013, showing an improvement from the negative USD 4.6 million posted in the same period of 2012.

The main risks and uncertainties that may affect the activity of BCP Finance Bank, Ltd. 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.

The persistence of an adverse economic and financial environment could continue to distress markets' evolution and to keep or increase the risk-aversion and the cost of liquidity. 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 30 June 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

30 June, 2013 and 2012

26 August, 2013
This report contains 25 pages

BCP Finance Bank, Ltd.

Statement of Comprehensive income
for the periods ended 30 June, 2013 and 2012

	Notes	Jun 13 USD'000	Jun 12 USD'000
Interest and similar income	2	26,691	31,619
Interest expense and similar charges	2	28,220	36,238
Net interest income		(1,529)	(4,619)
Gains arising from trading and hedging activities	3	13,895	287,885
Total operating income		12,366	283,266
Losses arising from trading and hedging activities	3	13,778	277,840
Other administrative costs		61	104
Other operating expenses		56	62
Total operating expenses		13,895	278,006
(Loss)/profit for the year		(1,529)	5,260
Other Comprehensive Income			
Exchange differences arising on translation of retained earnings		(2,482)	(7,987)
Exchange differences arising on translation fair value reserves		(58)	(219)
Changes in fair value reserves		(808)	(778)
Other Comprehensive Income/ (loss)		(3,348)	(8,984)
Total Comprehensive Income/ (loss) for the year		(4,877)	(3,724)

CHIEF ACCOUNTANT

THE BOARD OF DIRECTORS

BCP Finance Bank, Ltd.

Balance Sheets as at 30 June, 2013 and 31 December 2012

	Notes	Jun 13 USD'000	Dec 12 USD'000
Assets			
Loans and advances to credit institutions			
Repayable on demand	5	207	384
Other loans and advances	6	2,928,458	2,600,388
Financial assets held for trading	7	5,654	13,333
Financial assets available for sale	8	4	4
Hedging derivatives	9	6,359	10,030
Other assets		74	143
Total Assets		2,940,756	2,624,282
Liabilities			
Deposits from credit institutions	10	1,416,176	897,932
Debt securities issued	11	466,773	649,184
Financial liabilities held for trading	7	3,743	4,190
Other financial liabilities at fair value through profit and loss	12	6,183	27,776
Subordinated debt	13	197,187	189,658
Other liabilities	14	154	124
Total Liabilities		2,090,216	1,768,864
Shareholder's Equity			
Share capital			
Ordinary shares	15	246,000	246,000
Share premium	16	315,000	315,000
Fair value reserves	16	5,754	6,620
Reserves and retained earnings	16	283,786	287,798
Total Shareholder's Equity		850,540	855,418
		2,940,756	2,624,282

CHIEF ACCOUNTANT　　　　THE BOARD OF DIRECTORS

BCP Finance Bank, Ltd.

Statement of cash flows
for the periods ended 30 June, 2013 and 2012

	Jun 13 USD'000	Jun 12 USD'000
Cash flows from operating activities		
Interest income received	27,097	36,541
Interest expense and commissions paid	(17,714)	(28,020)
Net cash flows from trading and hedging activities	2,057	16,520
Operating fees and other payments	(117)	(142)
(Increase)/Decrease in operating assets		
Loans and advances to credit institutions	(329,341)	1,808,961
Increase/(Decrease) in operating liabilities		
Amounts owed to credit institutions	516,756	46,381
Other assets	39	15
Other liabilities	-	(247)
	198,777	1,880,009
Cash flows from financing activities		
(Repayment)/proceeds from issuance of debt securities	(195,698)	(1,868,525)
(Repayment)/proceeds from issuance of subordinated debt	(773)	(4,247)
	(196,471)	(1,872,772)
Exchange differences arising on translation of retained earnings at the year-end rates	(2,483)	(7,987)
Net (decrease)/increase in cash and cash equivalents	(177)	(750)
Cash and cash equivalents at the beginning of the year	384	1,058
Cash and equivalents at the end of the year (Note 5)	207	308

BCP Finance Bank, Ltd.

Statement of Changes in Shareholder's Equity
for the periods ended 30 June, 2013 and 2012

(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	(8,206)	-	-	(219)	(7,987)
Fair value reserves	(778)	-	-	(778)	-
Net income/(loss) for the period	5,260	-	-	-	5,260
Balance on 30 June, 2012	854,888	246,000	315,000	7,095	286,793
Exchange differences	13,923	-	-	378	13,545
Fair value reserves	(853)	-	-	(853)	-
Net income/(loss) for the period	(12,540)	-	-	-	(12,540)
Balance on 31 December, 2012	855,418	246,000	315,000	6,620	287,798
Exchange differences	(2,541)	-	-	(58)	(2,483)
Fair value reserves	(808)	-	-	(808)	-
Net income/(loss) for the period	(1,529)	-	-	-	(1,529)
Balance on 30 June, 2013	850,540	246,000	315,000	5,754	283,786

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.

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"). The financial statements for the six months period ended 30 June, 2013 do not include all the information to be published on the annual financial statements.

The accounting policies set out below have been applied consistently by the Bank and are consistent with those used in the previous year.

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.

1.1 Basis of presentation (continued)

As at June 30, 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 Banco Comercial Português, S.A.), 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 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) Designated at fair value through profit or loss ("Fair Value Option")

The Bank has adopted the Fair Value Option for certain own bond issues, loans and time deposits that contain embedded derivatives or with related hedging derivatives. 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".

The designation of financial assets and liabilities at fair value through profit and loss is performed whenever at least one of the 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.

1.2 Financial Instruments (continued)

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.

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.

1.2 Financial Instruments (continued)

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
- 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.

1.3 Derivative hedge accounting (continued)

(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 criteria 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.

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.

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.

1.8 Interest income and expense (continued)

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

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.

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.

Impairment of available for sale equity investments

The Bank determines that available for sale equity investments are impaired when there has been a significant or prolonged decrease in the fair value below its acquisition cost. This determination of what is significant or prolonged requires judgement. In making this judgement, the Bank evaluates among other factors, the volatility in the prices of the financial assets.

In addition, valuations are generally obtained through market quotation or valuation models that may require assumptions or judgment in making estimates of fair value.

Alternative methodologies and the use of different assumptions and estimates could result in a higher level of impairment losses recognised with a consequent impact in the Statements of Comprehensive Income of the Bank.

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.

1.17 Accounting estimates and judgements in applying accounting policies (continued)

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 the 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:

	Jun 2013 USD'000	Jun 2012 USD'000
Interest and similar income		
Interest on loans and advances to credit institutions	18,428	29,903
Interest on derivatives associated with financial instruments through profit or loss	6,359	562
Interest on hedging derivatives	1,904	1,153
Interest on deposits	-	1
	26,691	31,619
Interest expense and similar charges		
Interest on debt securities issued	5,000	10,676
Interest on subordinated debt	9,656	9,862
Interest on deposits from credit institutions	7,124	15,029
Interest on derivatives associated with financial instruments through profit or loss	22	210
Interest on other financial liabilities at fair value through profit or loss	6,418	401
Interest on hedging derivatives	-	60
	28,220	36,238
Net Interest income	(1,529)	(4,619)

3. Gains and losses arising from trading and hedging activities

The amount of this account is comprised of:

	Jun 2013 USD'000	Jun 2012 USD'000
Gains arising from trading and hedging activities		
Foreign exchange activity	990	970
Financial instruments at fair value through profit or loss		
Derivatives associated with financial instruments through profit or loss	809	44,216
Other derivative financial instruments	2,512	207,994
Other financial instruments at fair value through profit and loss	6,656	8,716
Hedge accounting		
Hedge items	1,824	-
Hedging intruments	687	1,975
Repurchase of debt securities issued	417	24,014
	13,895	287,885
Losses arising from trading and hedging activities		
Foreign exchange activity	807	591
Financial instruments at fair value through profit and loss		
Derivatives associated with financial instruments through profit and loss	7,390	13,071
Other derivative financial instruments through profit and loss	2,571	204,697
Other financial instruments at fair value through profit and loss	-	46,928
Hedge accounting		
Hedge items	-	1,826
Hedging intruments	2,960	856
Repurchase of debt securities issued	50	9,871
	13,778	277,840
Net gain/(loss) arising from trading and hediging activities	117	10,045

Results arising from other financial instruments at fair value through profit or loss includes a loss in the amount of USD 402,000 (June 2012: a loss in the amount of USD 7,193,000) 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 paid in 2013 and 2012.

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

This balance, in the amount of 207,000 (December 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:

	Jun 2013 USD'000	Dec 2012 USD'000
Banco Comercial Português, S.A.	2,391,916	2,600,388
BCP Finance Company, Ltd	536,542	-
	2,928,458	2,600,388

As at 30 June 2013, Loans and advances to credit institutions includes interest receivable amounting to USD 9,816,000 (December 2012: USD 10,222,000).

7. Financial assets and liabilities held for trading

This balance is analysed as follows:

	Jun 2013 USD'000	Dec 2012 USD'000
Financial assets held for trading		
Interest rate and cross currency interest rate swaps	1,939	2,552
Equity options swaps	108	6,718
Embedded derivatives	3,607	4,063
	5,654	13,333
Financial liabilities held for trading		
Credit default swaps	3,585	4,037
Corridor Swaps	60	55
Embedded derivatives	98	98
	3,743	4,190

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

As at 30 June 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.

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 2012 and 2011, 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, fx 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.

As referred in IFRS 7, financial assets held for trading are valued in accordance with the following fair value measurement levels:

• Level 1: financial instruments measured in accordance with quoted market prices or providers.
• Level 2: financial instruments measured in accordance with internal valuation techniques based on observable market inputs.
• Level 3: financial instruments measured in accordance with valuation techniques based on inputs not based on observable data that have significant impact in the instruments valuation.

In accordance with hierarchy of the valuation sources, all of financial assets and liabilities held-for-trading are classified in level 2.

8. Financial assets available for sale

This balance is analysed as follows:

	Jun 2013 USD'000	**Dec 2012 USD'000**
Banco Millennium Angola	4	4

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.

9. Hedging derivatives

This balance is analysed as follows:

	Jun 2013 USD'000	Dec 2012 USD'000
Assets:		
Interest rate swaps	6,359	10,030

The Bank uses derivative financial instruments to hedge its exposure to interest rate risks, resulting from financing and investment activities. Following the 1 January 2005 implementation of IFRS, for the consolidated financial statements of the BCP Group, all operations were reassessed in order to verify the hedging relationships and determine the necessary requirements for compliance with IAS 39 requirements regarding hedge accounting.

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

Hedging derivatives are measured in accordance with internal valuation techniques considering mainly observable market inputs. In accordance with the hierarchy of the valuation sources, as defined in IFRS 7, these derivatives are classified in level 2.

10. Deposits from credit institutions

This balance is analysed as follows:

	Jun 2013 USD'000	Dec 2012 USD'000
Banco Comercial Português	1,416,176	897,932

As at 30 June 2013, Deposits from credit institutions includes interest payable amounting to USD 1,830,000 (December 2012: USD 341,000).

11. Debt securities issued

This balance is analysed as follows:

	Jun 2013 USD'000	**Dec 2012 USD'000**
Bonds issued	462,467	643,206
Adjustment in the hedged item (Note 9)	2,564	4,704
Accruals, deferrend cost and income, other adjustments	1,742	1,274
	466,773	649,184

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.

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.

On 7 October 1999 the Bank (as Issuer), Banco Comercial Português, S.A. acting through its Madeira Off-shore Branch (as Issuer and Guarantor of the Bank's issues) and acting through its New York Branch (as Issuer) established a Euro 3,000,000,000 Global Commercial Paper Programme. In 2005, 2006 and 2008, this amount was increased to Euro 5,000,000,000, Euro 10,000,000,000 and Euro 15,000,000,000, respectively.

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

This balance is analysed as follows:

	Jun 2013 USD'000	**Dec 2012 USD'000**
Bonds issued	6,507	21,467
Accruals, deferred costs and income, other adjustments	(324)	6,309
	6,183	27,776

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 7, these instruments are classified in level 2.

The financial liabilities included in this balance are recognised at fair value with changes booked in profit or loss as referred in note 1.2. As at 30 June 2013, it was recognised a loss in the amount of USD 402,000 (June 2012: a loss in the amount of USD 7,193,000) related to fair value changes in the credit risk (spread) of the Bank.

13. Subordinated debt

For the period ended 30 June 2013, the subordinated debt issued by BCP Finance Bank, Ltd amounted to USD 197,187,000 (December 2012: USD 189,656,000).

14. Other liabilities

This balance is analysed as follows:

	Jun 2013 USD'000	Dec 2012 USD'000
Other payables	154	124

15. Share Capital

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

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

As at 30 June 2013 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.

16. Fair value reserves and retained earnings

This balance is analysed as follows:

	Jun 2013 USD'000	Dec 2012 USD'000
Share premium	315,000	315,000
Fair value reserve	5,754	6,620
Other reserves and retained earnings	283,786	287,798
	604,540	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. 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.

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.

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.

17. Fair value (continued)

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.

17. 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 30 June, 2013:

	30 June 2013				
	Held for trading USD'000	**Available for sale USD'000**	**Amortised cost USD'000**	**Book value USD'000**	**Fair value USD'000**
Assets					
Loans and advances to credit institutions					
Repayable on demand	-	-	207	207	207
Other loans and advances	-	-	2,928,458	2,928,458	2,762,857
Financial assets held for trading	5,654	-	-	5,654	5,654
Financial assets available for sale	-	4	-	4	4
Hedging derivatives	-	-	6,359	6,359	6,359
	5,654	4	2,935,024	2,940,682	2,775,081
Liabilities					
Deposits from credit institutions	-		1,416,176	1,416,176	1,392,097
Debt securities issued	-	-	466,773	466,773	430,764
Financial liabilities held for trading	3,743	-	-	3,743	3,743
Other financial liabilities through profit or loss	6,183	-	-	6,183	6,183
Subordinated debt	-	-	197,187	197,187	244,514
	9,926	-	2,080,136	2,090,062	2,077,301

17. 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:

	31 December 2012				
	Held for trading USD'000	**Available for sale USD'000**	**Amortised cost USD'000**	**Book value USD'000**	**Fair value USD'000**
Assets					
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
	13,333	4	2,610,802	2,624,139	2,383,602
Liabilities					
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
	31,966	-	1,736,774	1,768,740	1,665,304

18. 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.

19. Risk Management

The Bank's risk-management policy is consistent with the Bank Financial Statements as at 31 December 2012.

Statement of Directors' Responsibilities

To the best of our knowledge, the financial statements of BCP Finance Bank, Ltd. for the six months ended 30 June 2013 have been prepared in accordance with the IFRS, effective and adopted for use in the EU, including the requirements defined by IAS 34, and the interim management report includes a fair view of the important events that have occurred during the first six months of the financial year, their impact on the financial statements and of the principal risks and uncertainties for the remaining six months of the financial year.

The Board of Directors,

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