



**BANCO COMERCIAL PORTUGUÊS, S. A.
MACAU BRANCH**

DISCLOSURE OF INFORMATION

31 DECEMBER 2015

(Circular No. 026/B/2012-DSB/AMCM)

CONTENTS	PAGE
Status of the Branch	3
Disclosure of information	3
Balance Sheet as of 31 December 2015 (Macau Branch)	4
Income Statement for the year ended 31 December 2015 (Macau Branch)	5
Profit and Loss Account for the year ended 31 December 2015 (Macau Branch)	6
Summary of the activity report for the year ended 31 December 2015 (Macau Branch)	7
Summary of External Auditors' Report	8
List of shareholders with qualifying holdings in Banco Comercial Português, S. A.	9
Names of members of company boards of Banco Comercial Português, S. A.	10
Names of the members of the management of BCP Macau Branch	11
Cash Flow Statement for the year ended 31 December 2015 (Macau Branch)	12
Off-Balance Sheet exposures as of 31 December 2015 (Macau Branch)	13
Derivatives transactions as of 31 December 2015 (Macau Branch)	13
Significant accounting policies (Macau Branch)	14
Some principles on related party transactions	21
Related party transactions as of 31 December 2015 (Macau Branch)	22
Consolidated capital adequacy ratio of BCP Group as of 31 December 2015	23
Risk and risk management in BCP Group	24
Credit risk	25
Analysis of credit granted (Macau Branch)	27
Assets maturity analysis (Macau Branch)	28
Liabilities maturity analysis (Macau Branch)	29
Market risk	32
Foreign exchange risk elements as of 31 December 2015 (Macau Branch)	33
Operational risk	35
Liquidity risk	35
Selected liquidity indicators for the year ended 31 December 2015 (Macau Branch)	36
Consolidated information – Key indicators as of 31 December 2015	37
Other information	37

STATUS OF THE BRANCH

Banco Comercial Português, S. A. – Macau Branch (the Branch) is the Macau Branch of Banco Comercial Português, S. A. ('BCP' or the 'Head-Office') as from 11 May 2010 and has its registered office and principal place of business at Avenida Comercial de Macau, Quarteirão 5, Lote A, Finance and IT Centre of Macau Building, 19. Floor, G-I.

The Branch provides general banking and related financial services.

(Previously to 11 May 2010, since 1 July 1993, the Branch had been an offshore branch of BCP).

DISCLOSURE OF INFORMATION

The information presented hereinafter concerning the Branch and the Banking Group to which it belongs is disclosed under and in compliance with Circular No. 026/B/2012-DSB/AMCM of the Monetary Authority of Macau ('AMCM') (Guideline on Disclosure of Financial Information).

The Branch's policy on this matter is available and can also be consulted.

The information enclosed in pages 3 to 37 of this document is consistent with information otherwise published or in any way supplied to the AMCM and, in what concerns the Group information, other regulators.

The annual information provided has also been reviewed by the Branch's external auditors.

The information or any other remarks belonging to the Branch's books or practices are duly marked along these pages with the tag 'Macau Branch'.

The Management of the Branch

BALANCE SHEET AS OF 31 DECEMBER 2015
(MACAU BRANCH)

ASSETS	GROSS ASSETS	PROVISIONS, DEPRECIATION, AMORTIZATION	NET ASSETS
Cash in hand	877	-	877
Deposits with AMCM	159,718	-	159,718
Balances with other local credit institutions	46,271	-	46,271
Balances with credit institutions abroad	36,704	-	36,704
Loans to customers	5,252,922	-	5,252,922
Placements with credit institutions abroad	5,298,745	-	5,298,745
Debtors	150	-	150
Equipment	8,585	(3,426)	5,159
Other fixed assets	2,857	(1,140)	1,717
Internal accounts	100,281	-	100,281
TOTALS	10,907,111	(4,566)	10,902,545

LIABILITIES AND OWN FUNDS	SUBTOTALS	TOTALS
Sight deposits	- 1,329,322	-
Time deposits	- 6,874,830	8,204,152
Deposits from the public sector	- 637,126	-
Funds from other local credit institutions	- -	-
Borrowings in foreign currencies	- 1,688,215	-
Cheques and orders payable	- 18,482	-
Creditors	- 1,598	-
Sundry liabilities	- 27,602	2,373,023
Internal accounts	- 60,637	-
Provisions for general risks	- 63,724	-
Other reserves	- -	124,361
Net income for the period	- 201,008	201,008
TOTALS	-	10,902,545

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2015
(MACAU BRANCH)

DEBIT

Interest expense	197,852
Staff expenses	
Remunerations of managing and audit bodies	-
Remunerations of employees	7,134
Social expenses	4
Other staff expenses	723
Goods provided by third parties	417
Services provided by third parties	6,927
Other banking costs	397
Taxes and other levies	139
Inorganic costs	114
Allowances for depreciation and amortization	1,296
Allowances for impairment	-
Operating profit	228,387
TOTAL	443,390

CREDIT

Interest income	398,759
Fee and commission income	5,758
Revenues from other banking operations	4,729
Income from securities	-
Other banking revenues	34,144
Inorganic revenues	-
Operating losses	-
TOTAL	443,390

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2015
(MACAU BRANCH)

DEBIT

Operating losses	-
Losses from previous years	-
Extraordinary losses	-
Allowance for income tax	27,379
Net profit	201,008
TOTAL	228,387

CREDIT

Operating profit	228,387
Profits from previous years	-
Extraordinary gains	-
Utilized provisions	-
Net loss	-
TOTAL	228,387

SUMMARY OF THE ACTIVITY REPORT FOR THE YEAR ENDED 31 DECEMBER 2015 (MACAU BRANCH)

2015 was marked by a significant turbulence in emerging economies, mainly the BRICs, and a substantial drop in the prices of crude and other raw materials, side by side with the sustained recovery of the American economy and a strong volatility in the capital markets, notably at the Shanghai Stock Exchange.

As regards the international environment and despite the slowdown in the Chinese economy, the PRC continued to develop its strategic role as an economic power for the XXI century through various initiatives such as the creation of the Infrastructural Asian Investment Bank, the program of direct investment ‘one lane one route’ and the increasing internationalization of the Yuan.

In 2015, the Macau economy suffered a significant setback translated into a drop of 20% of the GDP, mainly because of the huge contraction suffered by the gaming, entertainment and tourism sectors. This economic juncture transmitted a clear sign to the economic agents, contributing to the cooling of the inflationary expectations. This correction on the perception of the economic environment would also trigger a significant adjustment of prices in the property market thus leading to a more sustainable economic development, mainly through diversification. In spite of the negative environment in terms of growth, the banking sector could nevertheless enjoy a still positive atmosphere.

The Macau Branch of BCP continued to develop its activities in 2015 within its role of strategic business platform by offering its products and services to the Group network clients, besides actively participating in local relevant projects, supporting Chinese customers regarding the investment in Portugal through the ‘Golden Visa’ program and backing Portuguese and Chinese companies in their external trade finance operations. However, due to the Macau recessive environment and the uncertainties regarding the international landscape, the Branch adopted a conservative stance, having significantly decreased its transformation ratio (loan to deposit ratio) and tightly controlled its operating costs.

Within its plan of modernization of the technological platform, the Branch continued to develop a set of initiatives to support the enlargement of its range of services with prominence to the launching of an internet banking solution for companies and individuals which will surely represent another dynamic element towards a better relationship with customers and contribute to the consolidation and broadening of the business portfolio.

In the year under analysis, the Branch posted a net profit of MOP 201.0 million, customer deposits portfolio reached MOP 8,841.3 million and loans granted to customers achieved MOP 5,252.9 million. The operational costs added-up to MOP 17.2 million.

The prospects for 2016 point toward the continuation of the negative impacts over the local economy because of the slowdown in the Chinese growth and the measures took by Beijing to control financial movements to Macau, thus affecting mainly the gaming, tourism, entertainment and property markets. Nevertheless a consensus over a slight recovery of the tourism and entertainment sector in the 2. half of the year, although moderate, seems to prevail among specialists. In parallel, a recovery of the property and trade sectors will probably not be a reality, in which case the Branch will continue to adopt a defensive attitude.

Similarly to what happened in 2015, the Branch will also continue to expand its role within the business platform among BCP customers in the triangle China-Macau-Portuguese Speaking Countries, endeavoring to stabilize its business volumes although in a conservative way.

Lastly, we would like to thank our customers, employees and Macau authorities for the immeasurable support and trust afforded to BCP Macau Branch.

The Management of Macau Branch of
Banco Comercial Português, S.A.

SUMMARY OF THE EXTERNAL AUDITORS' OPINION

To the management of Banco Comercial Português, S. A. – Macau Branch (A branch of a commercial bank incorporated in Portugal)

We have audited the 2015 financial statements of Banco Comercial Português, S. A. – Macau Branch in accordance with the Technical Auditing Standards of the Macau Special Administrative Region. In our report, dated 12 May 2016, we expressed an unqualified opinion on the financial statements of which the current set represents a summary.

The above-mentioned financial statements comprise the balance sheet as at 31 December 2015, the income statement, the statement of changes in equity, and a cash flow statement for the year then ended, as well as a summary of significant accounting policies and other explanatory notes.

The financial statements prepared by the management result from the annual financial statements and the books and the records of the Branch. In our opinion, the summarized financial statements are consistent, in all material aspects, with the audited financial statements and the books and records of the Branch.

In order to a better understanding of the state of affairs and operating results of Banco Comercial Português, S. A. – Macau Branch in the year as well as the audit scope, you are advised to read the summarized financial statements together with the audited financial statements and the respective auditors' report.

[Signed on the original]

leong Lai Kun, Registered Auditor
KPMG
Macau, 12 May 2016

**LIST OF SHAREHOLDERS WITH QUALIFYING HOLDINGS IN
BANCO COMERCIAL PORTUGUÊS, S. A.**

NAME	% OF SHARE CAPITAL	% OF VOTING RIGHTS
Sonangol Sonangol-Sociedade Nacional de Combustíveis de Angola, EP	17.84%	17.84%

Note:

According with the definition adopted by the Monetary Authority of Macau (AMCM), a qualifying holding is a holding which is owned directly or indirectly by the shareholder and which represents 10% or more of the share capital or voting rights of the credit institution or which confers, in any other form, the possibility to exercise a significant influence over the management of the credit institution.

NAMES OF MEMBERS OF COMPANY BOARDS OF
BANCO COMERCIAL PORTUGUÊS, S. A.

BOARD OF THE GENERAL MEETING

António Manuel da Rocha e Menezes Cordeiro	Chairman
Manuel António de Castro Portugal Carneiro da Frada	Vice-Chairman
Company Secretary (Ana Isabel dos Santos de Pina Cabral)	Board Secretary

BOARD OF DIRECTORS

António Vitor Martins Monteiro	Chairman
Carlos José da Silva	Vice-Chairman
Nuno Manuel da Silva Amado	Vice-Chairman
Álvaro Roque de Pinho Bissaia Barreto	Member
André Magalhães Luiz Gomes	Member
António Henriques de Pinho Cardão	Member
António Luis Guerra Nunes Mexia	Member
Bernardo de Sá Braamcamp Sobral Sottomayor(*) (resignation approved by the Minister of State and Finance on 26.02.2016)	Member
Cidália Maria Mota Lopes	Member
Jaime de Macedo Santos Bastos	Member
João Bernardo Bastos Mendes Resende	Member
João Manuel de Matos Loureiro	Member
José Jacinto Iglésias Soares	Member
José Miguel Bensliman Schorcht da Silva Pessanha	Member
José Rodrigues de Jesus (*)	Member
Maria da Conceição Mota Soares de Oliveira Callé Lucas	Member
Miguel de Campos Pereira de Bragança	Member
Miguel Maya Dias Pinheiro	Member
Raquel Rute da Costa David Vunge	Member
Rui Manuel da Silva Teixeira	Member

(*)Member appointed by the government (for the duration of the state aid to increase own funds).

EXECUTIVE COMMITTEE

Nuno Manuel da Silva Amado	Chairman
Miguel Maya Dias Pinheiro	Vice-Chairman
Miguel de Campos Pereira de Bragança	Vice-Chairman
José Jacinto Iglésias Soares	Member
Maria da Conceição Mota Soares de Oliveira Callé Lucas	Member
Rui Manuel da Silva Teixeira	Member
José Miguel Bensliman Schorcht da Silva Pessanha	Member

REMUNERATION AND WELFARE BOARD

José Gonçalo Ferreira Maury	Chairman
Bernardo de Sá Braamcamp Sobral Sottomayor (*)	Member
José Guilherme Xavier de Basto	Member
José Luciano Vaz Marcos	Member
Manuel Soares Pinto Barbosa	Member
(*) (resignation in 12.02.2016)	

INTERNATIONAL STRATEGIC BOARD

Carlos Jorge Ramalho dos Santos Ferreira	Chairman
Francisco de Lemos José Maria	Vice-Chairman
Josep Oliu Creus	Vice-Chairman
António Vítor Martins Monteiro	Members due to their functions
Carlos José da Silva	Members due to their functions
Nuno Manuel da Silva Amado	Members due to their functions

AUDIT COMMITTEE

João Manuel de Matos Loureiro	Chairman
Jaime de Macedo Santos Bastos	Member
José Rodrigues de Jesus (*)	Member
Cidália Maria Mota Lopes	Member
(*) Member appointed by the government (for the duration of the state aid to increase own funds).	

**MEMBERS OF THE MANAGEMENT OF THE MACAU BRANCH OF
BANCO COMERCIAL PORTUGUÊS, S. A. [MACAU BRANCH]**

José João Barreiros Pãosinho	General Manager
António Carlos Lau	Deputy General Manager
António Candeias Castilho Modesto	Deputy General Manager

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2015
(MACAU BRANCH)

CASH FLOWS ARISING FROM OPERATING ACTIVITIES

Profit before tax	228,387
Adjustments:	
Depreciation and amortization	1,296
Losses on Write-Offs	-
Interest income	(398,760)
Interest expense	197,852
TOTAL	28,775

DECREASE (INCREASE) IN OPERATING ASSETS

Loans and advances to credit institutions	412
Deposits held under monetary regulations	59,205
Loans and advances to customers	3,295,935
Other operational receivables	2,413

INCREASE (DECREASE) IN OPERATING LIABILITIES

Deposits from credit institutions	(5,274,632)
Deposits from customers	(2,605,257)
Other operational payables	(21,425)

CASH GENERATED FROM/(USED IN) OPERATIONS **(4,543,349)**

Interest paid	(307,330)
Interest received	449,694
Tax paid	(28,092)

NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES **(4,400,302)**

CASH FLOWS ARISING FROM INVESTING ACTIVITIES

Acquisition of fixed assets	(991)
-----------------------------	-------

NET CASH USED IN INVESTING ACTIVITIES **(991)**

CASH FLOWS ARISING FROM FINANCING ACTIVITIES

Distributions to the Head-Office	(206,927)
----------------------------------	-----------

TOTAL **(206,927)**

NET CHANGES IN CASH AND EQUIVALENTS **(4,608,220)**

CASH AND EQUIVALENTS AS OF 1 JANUARY 2015 **9,990,817**

CASH AND EQUIVALENTS AS OF 31 DECEMBER 2015 **5,382,597**

CASH AND EQUIVALENTS AS OF 31 DECEMBER 2015 COMPRISE:

Cash and balances with other credit institutions repayable on demand	83,852
Other loans and advances to credit institutions (original maturity <= 3 months)	5,298,745

TOTAL	5,382,597
OFF-BALANCE SHEET EXPOSURES OTHER THAN DERIVATIVES TRANSACTIONS AS OF 31 DECEMBER 2015 (MACAU BRANCH)	
Credit substitutes	13,175
Transaction-related contingencies	-
Acceptances and other trade-related contingencies	44,108
Not issuance facilities, revolving underwriting facilities and other similar facilities	-
Forward asset purchases	-
Unpaid portion of partly paid shares and other securities	-
Forward deposits	-
Asset sales with repurchase option	-
Undrawn credit facilities and other commitments to extend credit	2,668,303
Other off-balance sheet items	16,404,537
TOTAL	19,130,123

DERIVATIVES TRANSACTIONS AS OF 31 DECEMBER 2015 (MACAU BRANCH)

Exchange rate contracts	
Forward purchases	127,851
Forward sales	(127,734)
Interest rate contracts	
Purchases	171,073
Sales	(171,073)
Equities contracts	-
Commodities contracts	-
Others	-
TOTAL	117

TOTAL OFF-BALANCE SHEET EXPOSURES **19,130,240**

SIGNIFICANT ACCOUNTING POLICIES (MACAU BRANCH)

1 Statement of Compliance

The Branch's financial statements are prepared in accordance with the requirements as set out in Decree-Law No. 32/93/M and the Macau Financial Reporting Standards ("MFRSs") issued under the Administrative Regulation No. 25/2005 of Macau Special Administration Region (the "Macau SAR").

2 Basis of preparation of the financial statements

The Branch is part of Banco Commercial Português, S.A.. It is registered as a branch under the Macau Financial System Act under the Supervision of the Monetary Authority of Macau ("AMCM"), and accordingly it is not a separate legal entity. These financial statements have been prepared from the books and records of the Branch, which contain evidence of all transactions entered into locally and abroad.

The financial statements are prepared in Macau Patacas ("MOP"), which is the Branch's functional currency, rounded to the nearest thousand.

The measurement basis used in the preparation of the financial statements is historical cost. As mentioned above, the Branch is part of the Head Office and therefore no consolidated financial statements are required.

The preparation of financial statements in conformity with MFRSs requires the Branch's management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for judgments about 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 15.

3 Loans and advances to customers

Loans and advances to customers include loans and advances which are not intended to be sold in the short term and are recognised when cash is advanced to borrowers.

Loans and advances to customers are initially recognised at fair value, which normally will be equal to the transaction price plus directly attributable transaction costs and fees, and are subsequently measured at amortised cost using the effective interest method, less impairment losses, if any.

These assets are derecognised when the contractual rights to receive the cash flows from the loans and advances expire, or where the asset together with substantially all the risks and rewards of ownership, have been transferred.

Impairment

In accordance with the terms of the Decree-Law 32/93/M of the Macau SAR, the valuation and provisioning of loans and advances to customers are set out by the Monetary Authority of Macau as follows:

Specific provision for loan losses

Specific provisions are made when there is evidence that loans and advances to customers will not be fully recoverable and is intended to cover specific credit risks. This provision is presented as a deduction against credit granted. The adequacy of this provision is reviewed regularly by the Branch and the Head Office taking into consideration the existence of asset-backed guarantees, the overdue period and the customer's current financial position.

General provision for loan losses

This provision is intended to cover latent bad and doubtful debts which are present in any loan portfolio, including off-balance sheet commitments, but which have not been specifically identified as such. This provision is recorded separately in liabilities. The general provision for loan losses is calculated in accordance with Regulation No. 18/1993 of AMCM.

Changes in the provisions for loan losses are recognised in the income statement.

Write-off of loans

Loans and advances are written-off when it is determined that the loans are uncollectible. For collateralised loans, the write-off occurs for the unrecoverable amount when the funds arising from the execution of the respective collateral is effectively received. This write-off is carried out only for loans that are considered not to be recoverable and have been fully provided. An amount recovered from loans and advances that have already been written off will be recognised as income in the income statement.

4 Financial liabilities

Financial liabilities include money market transactions, deposits from customers and from other financial institutions, and other payables. These financial liabilities are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

The Branch derecognises financial liabilities when the obligation specified in the contract is discharged, cancelled or expired.

5 Interest income and expense

Interest income and expense for financial instruments measured at amortised cost using the effective interest method are recognised in the income statement on an accruals basis.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating the interest income over the relevant period. 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.

When calculating the effective interest rate, the Branch estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

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

- Interest income for overdue loans secured by collaterals is accounted for as income up to the limit of the valuation of the collateral valued on a prudent basis. This income is recorded as a gain assuming that there is a reasonable probability of recoverability; and
- Interest accrued and not paid for loans overdue for more than 90 days that are not covered by collateral is written-off and recognized only when received, on the basis that its recoverability is considered to be remote.

6 Fee and commission income

Fee and commission income arising from services provided by the Branch is recognised when the services are rendered.

7 Property and equipment

Property and equipment are stated at acquisition cost net of accumulated depreciation

and impairment losses, if any. Subsequent costs are recognised as a separate asset only when it is probable that future economic benefits will flow to the Branch.

Depreciation is calculated to write off the cost of property and equipment using straight-line method over their estimated useful lives as follows:

	Number of years
Improvements to leasehold buildings	7
Equipment	3 to 10

The useful life of an asset and its residual value, if any, are reviewed annually.

8 Intangible assets

Software

The Branch records the costs associated to software acquired from external entities as intangible assets. These assets are stated at cost less accumulated amortisation and impairment losses, if any. Amortisation is calculated on straight-line basis over an estimated useful life of three years. The Branch does not capitalize internal costs arising from software development.

9 Impairment review

At the end of the reporting period, the Branch reviews the carrying amounts of its assets to determine whether there is any indication that those assets are impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

Impairment losses are immediately recognised in the income statement. A reversal of impairment losses is limited to the carrying amount of the assets that would have been determined had no impairment loss been recognised for the assets in prior years. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

10 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, deposits with credit institutions having less than three months of maturity at acquisition.

Cash and equivalents exclude mandatory deposits with the AMCM for liquidity management purposes.

11 Offsetting

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

12 Foreign currency transactions

Foreign currencies transactions during the year are translated at the foreign exchange rates ruling at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Foreign exchange gains and losses are recognised in the income statement.

Non-monetary assets and liabilities that are measured in terms of historical cost are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

13 Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Branch has a legal or contractual obligation arising as a result of a past event, it is probable that an outflow of economic benefit will be recognised to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be recognised, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefit is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

14 Off-Balance sheet instruments

Off-balance sheet financial instruments include mainly derivatives arising from forward, swap and option transactions undertaken by the Branch in the foreign exchange and interest rate markets. Transactions undertaken for trading purposes are marked to market in respect of any excess, and the unrealized gain or loss is recognized in profit or loss.

15 Accounting estimates and judgments in applying accounting policies

MFRSs set forth a range of accounting treatments and require the Branch's management to apply judgment and make estimates in deciding which treatment is most appropriate. In the process of applying the Branch's accounting policies, management has made the following accounting judgements.

Impairment losses on loans and advances to customers

The Branch and the Head Office review its loan portfolio to assess impairment losses on a regular basis as described in accounting policy note 3.

The valuation process of the loan portfolio in order to determine whether an impairment loss should be recognised in the income statement is subject to management estimates and judgments. The probability of default, risk ratings, value of associated collateral, recovery rates and the estimate of both the amount and timing of future cash flows, among other things, are considered in making this assessment.

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 Branch's income statement.

16 Related parties

A party is considered to be related with the Branch if:

- (a) directly, or indirectly through one or more intermediaries, the party:
 - (i) controls, is controlled by, or is under common control with, the Branch (this includes parents, subsidiaries and fellow subsidiaries);
 - (ii) has an interest in the Branch that gives it significant influence over the Branch;
or
 - (iii) has a joint control over the Branch.
- (b) the party is an associate (as defined in MFRSs) of the Branch;
- (c) the party is a joint venture in which the Branch is a venture (as defined in MFRSs);
- (d) the party is a member of the key management of the Branch or its parent;
- (e) the party is a close member of the family of any individual referred to in (a) or (d);
- (f) the party is an entity that is controlled, joint controlled or significantly influenced

by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

- (g) the party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the Branch.

17 Fair value calculation

Fair value is based on market prices, whenever these are available. If market prices are not available, fair value is estimated through internal models based on cash flow discounting techniques. Cash flows of the financial instruments are calculated according to their financial characteristics and the discount rates used take into account both the market interest rate and the current conditions of the Branch pricing policy.

Therefore, the fair value obtained is influenced by the parameters used in the valuation model that necessarily have some degree of judgment, and reflects exclusively the value attributed to the different financial instruments. Considering the characteristics of the financial instruments held by the Branch and that the terms of the existing portfolio are similar to current market conditions, management considers that the fair value of financial instruments does not differ significantly from the carrying value.

SOME PRINCIPLES ON RELATED PARTY TRANSACTIONS (MACAU BRANCH)

1 Definition of basic terms

Related Party Transactions

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

Related party (non-exhaustive definition – see item 16 of ‘Significant Accounting Policies’)

A party is related to an entity if the party, directly and indirectly, controls, is controlled by, or is under common control with, the entity.

A related party relationship might exist between entities when they are members of the same group either as a parent, a subsidiary or a fellow subsidiary.

Conflicts of interest

Conflicts of interest arise when an entity unduly benefits (directly or indirectly) from a transaction due to being in a relation of control with or having a significant influence over a related party.

2 Related party transactions

Because conflicts of interest may result more easily when transactions between related parties are at stake, it is of great importance that all transactions with related parties are conducted free of conflicts of interest, i.e. based on terms and conditions that are equally favorable when compared to transactions between unrelated parties, and the parties refrain from entering into transactions that unrelated parties would not.

3 Terms and conditions of related party lending

Within Banco Comercial Português, S. A. (BCP) Group, the terms and conditions inherent in related party lending are as much as possible in usual economic terms, i.e. on arm’s length basis, and subject to the same analysis and approval procedures as if the transactions were done with unrelated parties.

Conflicts of interest are, on the other hand, governed by the Group’s Code of Conduct.

4 Disclosure

The Macau Branch of BCP hereinafter discloses all business relationships such as the balances and the impact on Profit and Loss Account of transactions made with its Head-Office and, if any, with other fellow entities.

RELATED PARTY TRANSACTIONS AS OF 31 DECEMBER 2015
(MACAU BRANCH)

BALANCE SHEET AS OF 31 DECEMBER 2015

ASSETS

Balances with credit institutions abroad	32,975
Placements with credit institutions abroad	5,298,745
Debtors	-
Internal accounts	323
TOTAL	<u>5,332,043</u>

LIABILITIES AND OWN FUNDS

Borrowings and other balances	1,688,215
Internal accounts	1,762
TOTAL	<u>1,689,977</u>

INCOME STATEMENT

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

DEBIT

Interest expense	81,590
	<u>81,590</u>

CREDIT

Interest income	120,575
Other banking revenues	-
	<u>120,575</u>

OFF-BALANCE SHEET EXPOSURES AS OF 31 DECEMBER 2015

Forward deposits	-
	<u>-</u>
Interest rate contracts	
Purchases	171,073
Sales	(171,073)

**CONSOLIDATED CAPITAL ADEQUACY RATIO OF
 BANCO COMERCIAL PORTUGUÊS, S. A. GROUP
 AS OF 31 DECEMBER 2015**

**IN MOP
 (MILLIONS)
 @8.7294** **IN EURO
 (MILLIONS)**

RISK WHEIGHTED ASSETS

Credit risk	337,898	38,708
Risk of the trading portfolio	9,917	1,136
Operational risk	28,283	3,240
Other risks	2,025	232
TOTAL	378,123	43,316

OWN FUNDS (LEVEL 1)

Capital	35,738	4,094
Issuing premium	148	17
Own shares	(9)	(1)
Preference shares and Perpetual Subordinated	6,547	750
Reserves and retained earnings	3,937	451
Non-controlling interests	7,560	866
Deductions to Total Regulatory Capital	(3,509)	(402)
TIER 1 CAPITAL	50,412	5,775

TIER 2 CAPITAL

3,771 432

TOTAL CAPITAL

54,183 6,207

SOLVENCY RATIOS

Common Equity Tier 1	-	13.3%
Tier I	-	13.3%
Tier II	-	1.0%
Total Solvency Ratio	-	14.3%

RISK AND RISK MANAGEMENT IN BANCO COMERCIAL PORTUGUÊS, S. A. GROUP

1 Introduction

The Group is subject to several risks during the course of its business. The risks from different companies of the Group are managed centrally through coordinating with the local departments and considering the specific risks of each business.

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

Monitoring and control of the main type of financial risks – credit, market (namely interest rate and exchange rate risk), liquidity and operational – to which the Group's business is subject are of particular importance.

2 Risk management organization

The Banco Comercial Português Executive Committee is responsible for the definition of the risk policy, including approval at the very highest level of the principles and rules to be followed in risk management, as well as the guidelines dictating the allocation of economic capital to the business lines.

The Executive Committee, through mainly the Risk Committee, ensures the existence of adequate risk control and of risk-management systems at the level both of the Group and of each entity.

The Risk Committee is responsible, at an executive level, for the follow-up of the overall risk levels (credit, market, liquidity and operational risks), ensuring that these are compatible with the objectives, the available financial resources and the strategies approved for the development of the Group's activity.

It includes all of the members of the Executive Committee, the Group Risk Officer, the Compliance Officer and the heads of several key departments such as Internal Audit and Treasury.

The Group Risk Officer is responsible for the risk control function for all entities of the Group. In order to ensure the transversal monitoring and alignment of concept, practices and objectives, the Group Risk Officer is responsible for informing the Risk Committee on the general risk level and for proposing measures to improve the control environment and to implement the approved limits.

The activity of every entity included within the Banco Comercial Português consolidation perimeter is governed by the principles and decisions established centrally by the Risk Committee and they are provided with Risk Office structures which are established in accordance with the risks inherent in their particular business. A Risk

Control Committee has been set up at each subsidiary, responsible for the control of risks at local level, in which the Group Risk Officer takes part.

The Group Head of Compliance is responsible for implementing prevention systems, monitoring and reporting of risk in organizational processes that include, among others, the prevention of money laundering, combating the financing of terrorism, prevention of conflict of interest, abuse of market and communication with customers.

RISK AND RISK MANAGEMENT – CREDIT RISK

1 Credit risk definition

Credit risk is associated with the degree of uncertainty of the expected returns as a result of the inability either of the borrower (and the guarantor, if any) or of the issuer of a security or of the counterparty to an agreement to fulfill their obligations. This type of risk is particularly incisive under adverse economic conditions, when families and companies are faced with financial difficulties.

2 Credit risk assessment and management in BCP Group (summary)

Control and mitigation of this risk are carried out, on one hand, through a solid structure of risk analysis and assessment – using internal rating systems suited to the different business segments and a model for the early detection of potential defaults of the portfolio - and, on the other hand, through structural units that are exclusively dedicated to loan recovery, for the defaults that occur.

Credit granting is based on prior classification of the customers' risk and on thorough assessment of the level of protection provided by the underlying collateral. In order to do so, a single risk-notation system has been introduced, the Rating Master Scale. It is based on the expected probability of default, allowing greater discrimination in the assessment of the customers and better establishment of the hierarchies of the associated risk. The Rating Master Scale also identifies those customers showing worsening credit capacity.

The protection-level concept has been introduced as a crucial element of evaluation of the effectiveness of the collateral in credit-risk mitigation, leading to more active collateralization of loans and more adequate pricing of the risk incurred.

3 Credit risk elements - Notice No.18/1993 – AMCM (Macau Branch)

- **Definition of past due or impaired assets**

Past due assets (Group I) are deemed to be all credits and other placements in relation to which either the payments of interest or commission or the repayment of principal is

delayed for no more than 3 months.

Impaired assets (Group II to IV) are deemed to be all credits and other placements in relation to which either the payments of interest or commission or the repayment of principal is delayed for more than 3 months.

- **Approach for provisions and statistical methods (individual impairment provision)**

For all impaired assets (Group II to IV), at the end of each quarter, a minimum specific impairment accumulated provision shall be set up based on their respective balances net of the realizable value of any existing and duly formalized tangible collateral in the following manner:

Group II (assets with impairment for more than 3 months and less or equal to 12 months) – 40%

Group III (assets with impairment for over 12 months and less than or equal to 18 months) – 80%

Group IV (assets with impairment for more than 18 months) – 100%

- **Approach for provisions and statistical methods (collective impairment provision)**

For the remaining assets (loans performing or with past due status), a general impairment provision shall be set up by the end of each year in order to reach a balance of not less than 1% of their respective aggregated value.

The protection-level concept has been introduced as a crucial element of evaluation of the effectiveness of the collateral in credit-risk mitigation, leading to more active collateralization of loans and more adequate pricing of the risk incurred.

CREDIT GRANTED AS OF 31 DECEMBER 2015 (MACAU BRANCH)

GEOGRAPHIC DISTRIBUTION

Canada	0.0%	1,256
China	0.0%	2,255
France	3.8%	201,649
Germany	5.8%	305,529
Luxembourg	35.8%	1,876,088
Macau	8.9%	466,110
Netherlands	25.2%	1,325,209
Portugal	0.0%	113
Spain	3.2%	165,138
USA	1.9%	99,094
Mozambique	15.4%	810,481
TOTAL	100.0%	5,252,922

INDUSTRY DISTRIBUTION OF CREDIT GRANTED

Electricity, gas and water	-	-
Other manufacturing industries	91.0%	4,783,187
Restaurants, hotels and similar	3.9%	204,831
Transports, warehousing and communications	3.3%	171,073
Individuals for other purposes	-	-
Others	1.8%	93,831
TOTAL	100.00%	5,252,922

PAST DUE ASSETS

More than 3 months but not more than 6 months	-	-
More than 6 months but not more than 1 year	-	-
More than 1 year	-	-
TOTAL	-	-

ASSETS MATURITY ANALYSIS AS OF 31 DECEMBER 2015 (MACAU BRANCH)

LOANS AND ADVANCES TO CUSTOMERS

On demand(Overdrafts)	0.9%	49,425
Within 1 month	0.4%	22,613
More than 1 month but not more than 3 months	2.4%	127,557
More than 3 months but not more than 1 year	1.5%	77,058
More than 1 year but not more than 3 years	21.3%	1,115,571
More than 3 years	73.5%	3,860,698
Indefinite period	-	-
TOTAL	100.0%	5,252,922

**BALANCES WITH AND LOANS AND ADVANCES TO BANKS AS OF 31 DECEMBER 2015
 (MACAU BRANCH)**

On demand	1.5%	82,975
Within 1 month	98.5%	5,298,745
More than 1 month but not more than 3 months	-	-
More than 3 months but not more than 1 year	-	-
More than 1 year but not more than 3 years	-	-
More than 3 years	-	-
Indefinite period	-	-
TOTAL	100.0%	5,381,720

**CERTIFICATES OF DEPOSITS HELD AS OF 31 DECEMBER 2015
 (MACAU BRANCH)**

On demand	-	-
Within 1 month	-	-
More than 1 month but not more than 3 months	-	-
More than 3 months but not more than 1 year	-	-
More than 1 year but not more than 3 years	-	-
More than 3 years	-	-
Indefinite period	-	-
TOTAL	-	-

**SECURITIES ISSUED BY THE MACAU GOVERNMENT AND/OR AMCM AS OF 31 DECEMBER 2015
 (MACAU BRANCH)**

On demand	-	-
Within 1 month	-	-
More than 1 month but not more than 3 months	-	-
More than 3 months but not more than 1 year	-	-
More than 1 year but not more than 3 years	-	-
More than 3 years	-	-
Indefinite period	-	-
TOTAL	-	-

**OTHER SECURITIES AS OF 31 DECEMBER 2015
 (MACAU BRANCH)**

On demand	-	-
Within 1 month	-	-
More than 1 month but not more than 3 months	-	-
More than 3 months but not more than 1 year	-	-
More than 1 year but not more than 3 years	-	-
More than 3 years	-	-
Indefinite period	-	-
TOTAL	-	-

**LIABILITIES MATURITY ANALYSIS AS OF 31 DECEMBER 2015
 (MACAU BRANCH)**

**DEPOSITS AND BALANCES OF LOCAL BANKS AND FINANCIAL INSTITUTIONS
 AS OF 31 DECEMBER 2015 (MACAU BRANCH)**

On demand	-	-
Within 1 month	-	-
More than 1 month but not more than 3 months	-	-
More than 3 months but not more than 1 year	-	-
More than 1 year but not more than 3 years	-	-
More than 3 years	-	-
Indefinite period	-	-
TOTAL	-	-

DEPOSITS FROM PUBLIC SECTOR ENTITIES AS OF 31 DECEMBER 2015
(MACAU BRANCH)

On demand	-	-
Within 1 month	100.0%	637,126
More than 1 month but not more than 3 months	-	-
More than 3 months but not more than 1 year	-	-
More than 1 year but not more than 3 years	-	-
More than 3 years	-	-
Indefinite period	-	-
TOTAL	100.0%	637,126

DEPOSITS FROM HOLDINGS AND ASSOCIATED COMPANIES AS OF 31 DECEMBER 2015
(MACAU BRANCH)

On demand	0.0%	536
Within 1 month	2.1%	36,000
More than 1 month but not more than 3 months	-	-
More than 3 months but not more than 1 year	-	-
More than 1 year but not more than 3 years	19.3%	326,043
More than 3 years	78.5%	1,325,636
Indefinite period	-	-
TOTAL	100.0%	1,688,215

DEPOSITS FROM NON-BANK CUSTOMERS AS OF 31 DECEMBER 2015
(MACAU BRANCH)

On demand	16.2%	1,329,322
Within 1 month	16.1%	1,317,680
More than 1 month but not more than 3 months	16.7%	1,373,744
More than 3 months but not more than 1 year	47.1%	3,867,991
More than 1 year but not more than 3 years	3.8%	308,420
More than 3 years	0.1%	6,995
Indefinite period	-	-
TOTAL	100.0%	8,204,152

CERTIFICATES OF DEPOSITS ISSUED AS OF 31 DECEMBER 2015
(MACAU BRANCH)

On demand	-	-
Within 1 month	-	-
More than 1 month but not more than 3 months	-	-
More than 3 months but not more than 1 year	-	-
More than 1 year but not more than 3 years	-	-
More than 3 years	-	-
Indefinite period	-	-
TOTAL	-	-

OTHER SECURITIES ISSUED AS OF 31 DECEMBER 2015
(MACAU BRANCH)

On demand	-	-
Within 1 month	-	-
More than 1 month but not more than 3 months	-	-
More than 3 months but not more than 1 year	-	-
More than 1 year but not more than 3 years	-	-
More than 3 years	-	-
Indefinite period	-	-
TOTAL	-	-

RISK AND RISK MANAGEMENT – MARKET RISK
(NAMELY INTEREST RATE RISK AND FOREIGN EXCHANGE RISK)

1 Market risk

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

2 Market risk assessment and management in BCP Group

The Group in monitoring and control of market risk existing in the diverse portfolios uses an integrated risk measurement that includes the main types of market risk identified by the Group: generic risk (including interest rate risk, FX risk, equity risk and diversification effects), specific risk, non-linear risk and commodities risk. The measure used in evaluating the generic market risk is the VAR (Value at Risk). The VAR is calculated considering a 10-working day time horizon and a confidence level of 99%.

As a complement to the VAR calculation, and aiming to identify risk concentrations that are not captured by this measurement and, also, for the purpose of testing other possible dimensions, the Group continuously tests a broad set of stress tests scenarios over the trading book and analyses its results.

3 Market risk assessment and management – Interest rate risk (Macau Branch)

Besides being followed by the Group risk function on an integrated global basis, the Branch also monitors its interest rate risk by mainly using the model provided by the regulator (AMCM). Through this model, computed at least once every quarter, the Branch is able to determine the sensitivity of its positions to changes in interest rates as well as the amount of capital that would be necessary to cover such scope of risk.

FOREIGN EXCHANGE RISK ASSESSMENT ELEMENTS AS OF 31 DECEMBER 2015
(MACAU BRANCH)

SPOT POSITION [LONG (+); SHORT (-)]

CURRENCIES

Macau Pataca (MOP)	(413,765)
Australian Dollar (AUD)	882
Canadian Dollar (CAD)	2,668
Chinese Yuan (CNY)	1,802
Hong Kong Dollar (HKD)	12,648
South African Rand (ZAR)	(1)
Swiss Franc (CHF)	(2,079)
British Pound (GBP)	4,848
USA Dollar (USD)	376,514
Euro (EUR)	16,366

FORWARD POSITION [LONG (+); SHORT (-)]

Macau Pataca (MOP)	127,851
USA Dollar (USD)	(127,734)

NET POSITION (ALL CURRENCIES) **0**

NET POSITION (ALL FOREIGN CURRENCIES) **285,914**

BREAKDOWN OF FOREIGN CURRENCIES WHICH NET POSITION EXCEEDS 10% OF TOTAL FOREIGN CURRENCIES NET POSITION (MACAU BRANCH)

HONG KONG DOLLAR (HKD)

ASSETS

Cash in hand	328
Balances with other local credit institutions	39,088
Balances with credit institutions abroad	3,833
Loans to customers	204,831
Placements with credit institutions abroad	378,937
Debtors	-
Equipment	5
Internal accounts	1,650
TOTAL	628,672

LIABILITIES

Sight deposits	10,384
Time deposits	200,177
Deposits from the public sector	402,830
Borrowings in foreign currencies	-
Cheques and orders payable	-
Creditors	36
Internal accounts	2,597
TOTAL	616,024

SPOT POSITION

12,648

FORWARD PURCHASE/SALE(-)

-

NET POSITION

12,648

USA DOLLAR (USD)

ASSETS

Cash in hand	180
Balances with other local credit institutions	707
Balances with credit institutions abroad	1,402
Loans to customers	1,171,654
Placements with credit institutions abroad	2,352,708
Debtors	-
Equipment	-
Internal accounts	39,936
TOTAL	3,566,587

LIABILITIES

Sight deposits	571,282
Time deposits	2,370,464
Deposits from the public sector	234,296
Borrowings in foreign currencies	-
Cheques and orders payable	1,082
Creditors	-
Internal accounts	12,949
TOTAL	3,190,073

SPOT POSITION

376,514

FORWARD PURCHASE/SALE(-)

(127,734)

NET POSITION

248,780

RISK AND RISK MANAGEMENT – OPERATIONAL RISK

1 Operational risk

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

2 Operational risk assessment and management in BCP Group

The approach to operational risk management is based on the business and support 'end-to-end' processes. Process management is the responsibility of the Process Owners, who are the first parties responsible for evaluation of the risks and for strengthening the performance within the scope of their processes. The Process Owners are responsible for keeping up to date all the relevant documentation concerning the processes, for ensuring the real adequacy of all the existing controls through direct supervision or by delegation on the departments responsible for the controls in question, for coordinating and taking part in the 'risk self-assessment' exercises, and for detecting and implementing improvement opportunities, including mitigating measures for the more significant exposures.

In the operational risk management implemented in the Group, there is a systematic process of gathering information on operational losses, which defines on a systematic form, the causes and the effects associated to an eventual detected loss. From the analysis of the historical information and its relationships, processes involving greater risk are identified and mitigation measures are launched to reduce the critical exposures.

RISK AND RISK MANAGEMENT – LIQUIDITY RISK

1 Liquidity risk

Liquidity risk reflects the Group's inability to meet its obligations at maturity without incurring in significant losses resulting from the deterioration of the funding conditions (funding risk) and/or from the sale of its assets below market value (market liquidity risks).

2 Liquidity risk assessment and management in BCP Group

Evaluation of the Group's liquidity risk is carried out using indicators defined by the supervisory authorities on a regular basis and other internal metrics for which exposure limits are also defined.

The Group's wholesale funding structure is defined for each annual period by the

Liquidity Plan, which is an integral part of the budgeting process, formulated at consolidated level and for the main subsidiaries of the group. The setup of this plan is coordinated by the Group Treasurer and its implementation is monitored continuously along the year, being revised whenever necessary or advisable.

3 Liquidity risk assessment and management (Macau Branch)

Besides being followed by the Group risk function on an integrated global basis, and the support given by the Head-Office in this particular aspect by providing the liquidity as needed, the Branch has also its own liquidity risk management policy. Under this policy, the Branch manages its liquidity needs namely through maturity mismatch analysis over a series of time-bands as determined by the local regulator (AMCM).

SELECTED LIQUIDITY INDICATORS FOR THE YEAR OF 2015 (MACAU BRANCH)

- Arithmetic mean of the minimum weekly amount of cash in hand that is required to be held during the annual reporting period (2015) 148,557
- Arithmetic mean of the average weekly amount of cash in hand during the annual reporting period (2015) 165,153
- Arithmetic mean of the specified liquid assets at the end of each month during the annual reporting period (2015) 7,051,076
- Average ratio of specified liquid asset to total basic liabilities at the end of each month during the annual reporting period (2015) 84%
- Arithmetic mean of its one-month liquidity ratio in the last week of each month during the annual reporting period (2015) 90%
- Arithmetic mean of its three-month liquidity ratio in the last week of each month during the annual reporting period (2015) 17%

CONSOLIDATED INFORMATION – KEY INDICATORS OF BANCO COMERCIAL PORTUGUÊS, S. A. GROUP AS OF 31 DECEMBER 2015	IN MOP (MILLIONS) @8.7294	IN EURO (MILLIONS)
BALANCE SHEET		
Total assets	653,701	74,885
Loans and advances to customers (net)	453,667	51,970
Total customer funds	577,677	66,176
Customer deposits	449,905	51,539
Loans to customers (net)/Customer deposits	-	100.8%
Shareholders' equity and subordinated debt	54,725	6,269
PROFITABILITY		
Net operating revenues	21,858	2,504
Operating costs	9,663	1,107
Impairment and provisions	8,677	994
Income tax	498	57
Non-controlling interests	1,100	126
Net income attributable to shareholders of the bank	2,051	235
Return on average shareholders' equity (ROE)	-	5.3%
Return on average total assets (ROA)	-	0.5%
Net interest margin	-	1.9%
Net operating revenues/Average net assets	-	3.2%
Cost to income	-	44.0%
Staff costs/Net operating revenues	-	24.4%
CAPITAL		
Own funds	54,183	6,207
Risk weighted assets	378,114	43,315
Common Equity Tier 1	-	13.3%
Tier I	-	13.3%
Tier II	-	1.0%
Total Solvency Ratio	-	14.3%

OTHER INFORMATION

None.