

Consolidated and updated Base Prospectus dated 23 November 2006, as supplemented on 27 June 2007, 25 January 2008, 23 July 2009, 5 January 2010, 9 June 2010, 9 September 2010, 3 March 2011, 28 September 2011 and 27 July 2012. This consolidated Base Prospectus is of the sole responsibility of the Issuer and in case of any inconsistency between any supplement and this consolidated Base Prospectus the supplement (and in case of conflicting supplements, the more recent supplement) shall prevail. The Issuer shall be responsible for the investors' reliance upon this consolidated Base Prospectus, including in case of any such inconsistency.



**CAIXA GERAL DE DEPÓSITOS, S.A.**  
**(incorporated with limited liability in Portugal)**  
**€15,000,000,000 COVERED BONDS PROGRAMME**  
**BASE PROSPECTUS**

Caixa Geral de Depósitos, S.A. (the “**Issuer**”) is an authorised credit institution for the purposes of Decree-law 59/2006, of 20 March 2006 (as amended, the “**Covered Bonds Law**”). The Covered Bonds (as defined below) will constitute mortgage covered bonds for the purposes, and with the benefit, of the Covered Bonds Law.

Under this €15,000,000,000 Covered Bonds Programme (the “**Programme**”) described in this base prospectus, dated 23 November 2006, which has been supplemented on 27 June 2007, 25 January 2008, 23 July 2009, 5 January 2010, 9 June 2010, 9 September 2010, 3 March 2011, 28 September 2011 and 27 July 2012 (the “**Base Prospectus**”), which is valid until 23 November 2021, as further supplemented, the Issuer may from time to time issue mortgage covered bonds (the “**Covered Bonds**”) denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below).

Covered Bonds may be issued in bearer or registered form (respectively, “**Bearer Covered Bonds**” and “**Registered Covered Bonds**”) and be represented in book-entry form or in new global note form. The maximum aggregate nominal amount of all Covered Bonds from time to time outstanding under the Programme will not exceed €15,000,000,000 (or its equivalent in other currencies calculated as described herein), subject to increase as described herein. Covered Bonds may be issued on a continuing basis to one or more of the Dealers specified under *Summary of the Covered Bonds Programme* and any additional Dealer appointed under the Programme from time to time by the Issuer (each a “**Dealer**” and together, the “**Dealers**”), which appointment may be for a specific issue or on an ongoing basis. References in this Base Prospectus to the relevant Dealer shall, in the case of an issue of Covered Bonds being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to purchase such Covered Bonds.

**See Risk Factors for a discussion of certain risk factors to be considered in connection with an investment in the Covered Bonds.**

This document comprises a base prospectus for the purposes of Article 135C of Decree-law 486/99 of 13 November 1999 (as amended; the “**Portuguese Securities Code**”) which implemented article 5.4. of Directive 2003/71/EC (the “**Prospectus Directive**” which expression means Directive 2003/71/EC (and amendments thereto, including Directive 2010/73/EU, the “**2010 PD Amending Directive**”, to the extent implemented in the relevant Member State), and includes any relevant implementing measure in the relevant Member State, of article 26 of the Commission Regulation (EC) No. 809/2004 (the “**Prospectus Regulation**”) and pursuant to article no. 143(2) of the Portuguese Securities Code which requires the provision of certain information with respect to an issue of covered bonds under a programme until no more covered bonds are continuously or repeatedly issued under such programme. Application has been made to the Comissão do Mercado de Valores Mobiliários (the “**CMVM**”), as Portuguese competent authority under the Prospectus Directive, the Prospectus Regulation and the Portuguese Securities Code for this Base Prospectus to be approved. Such approval, obtained on 17 November 2006, relates to the admission of the Covered Bonds issued under the Programme on the regulated market Euronext Lisbon, the official quotation market (“*Mercado de Cotações Oficiais*”) in Portugal (“**Euronext Lisbon**”) or any other regulated market for the purposes of Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments, as amended. Application has been made to Euronext for the Covered Bonds issued under the Programme to be admitted to Euronext Lisbon. References in this Base Prospectus to Covered Bonds being “listed” (and all related references) shall mean that such Covered Bonds have been admitted to trading on Euronext Lisbon or other regulated market. The Programme provides that Covered Bonds may be listed or admitted to trading, as the case may be, on such other stock exchange(s) or markets (including regulated markets) as may be agreed between the Issuer and the relevant Dealer. The Issuer may also issue unlisted Covered Bonds and/or Covered Bonds not admitted to trading on any market.

The rating of certain Series of Covered Bonds to be issued under the Programme may be specified in the applicable Final Terms. Whether or not each credit rating applied for in relation to or assigned to a relevant Series of Covered Bonds will be issued by a credit rating agency established in the European Union and registered under Regulation (EC) no. 1060/2009 (the “**CRA Regulation**”) will be disclosed in the Final Terms.

*Arranger*

**Barclays**

*Co-Arranger*

**Caixa – Banco de Investimento**

*Dealers*

**Banco Bilbao Vizcaya Argentaria, S.A.**

**BayernLB**

**BNP PARIBAS**

**Caixa – Banco de Investimento, S.A.**

**Commerzbank**

**Credit Suisse**

**Deutsche Bank**

**HSBC**

**J.P. Morgan**

**Nomura**

**The Royal Bank of Scotland**

**Bankia S.A.**

**Barclays**

**BofA Merrill Lynch**

**Citigroup**

**Crédit Agricole CIB**

**Daiwa Capital Markets Europe**

**DZ BANK AG**

**Natixis**

**Morgan Stanley**

**Société Générale Corporate and Investment Banking**

**UBS Investment Bank**

**UniCredit Bank**

This Base Prospectus has been most recently supplemented on 27 July 2012.

## RESPONSIBILITY STATEMENTS

In respect of the Issuer, this Base Prospectus comprises a base prospectus for the purposes of Article 135C of the Portuguese Securities Code, which implemented article 5.4 of the Prospectus Directive for the purpose of giving information with regard to the Issuer which, according to the nature of the Issuer and the Covered Bonds, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer, as well as of the features and characteristics of the Covered Bonds. This Base Prospectus is not a prospectus for the purposes of section 12(a)(2) or any other provision of the US Securities Act.

The format and contents of this Base Prospectus comply with the relevant provisions of the Prospectus Directive, the Prospectus Regulation, the Portuguese Securities Code and all laws and regulations applicable thereto.

For the purposes of Articles 149, 150 and 243 of the Portuguese Securities Code, the Issuer, the members of the Board of Directors, of the Supervisory Board and the Statutory Auditor of the Issuer (see *Board of Directors, General Meeting, Supervisory Board and Statutory Auditor of the Issuer*) accept responsibility for the information contained in this Base Prospectus for which each of them is responsible in accordance with such legal provisions, subject to the qualifications below and hereby declare that, to the best of their knowledge (having taken all reasonable care to ensure that such is the case), the information contained in this Base Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information. The Auditor has responsibility for the financial information that has been certified by it and that is included in this Base Prospectus.

Deloitte & Associados – SROC, S.A., registered with the CMVM with number 231, with registered office at Edifício Atrium Saldanha, Praça Duque de Saldanha, 1 - 6º 1050-094, Lisbon (hereinafter referred to as the “Auditor”), has audited and expressed an opinion on the financial statements of the Issuer for the financial years ended 31 December 2010 and 31 December 2011. The Auditor’s Reports referring to the above financial periods are incorporated by reference in this Base Prospectus (see *Documents Incorporated by Reference*).

This Base Prospectus is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see *Documents Incorporated by Reference*). This Base Prospectus shall be read and construed, and any decision to invest in the Covered Bonds should be made, on the basis that such documents are so incorporated and form part of this Base Prospectus as a whole.

No person is or has been authorised by the Issuer to give any information or to make any representation not contained in, or not consistent with, this Base Prospectus or any other information supplied in connection with the Programme or the Covered Bonds and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Arrangers (as defined in *Definitions*), the Common Representative (as defined under *General Description of the Programme*) or any of the Dealers. Neither the delivery of this Base Prospectus nor the offering, sale or delivery of any Covered Bonds shall in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or the date upon which this Base Prospectus has been most recently supplemented or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing such information. The Issuer will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Base Prospectus which is capable of affecting the assessment of any Covered Bonds, prepare a supplement to this Base Prospectus or publish a new Base Prospectus to be used in connection with any subsequent issue of Covered Bonds.

The Arrangers, the Common Representative and the Dealers expressly do not undertake to review the financial condition or affairs of the Issuer during the duration of the Programme or to advise any investor in the Covered Bonds of any information which may come to their attention. Investors should review, amongst

other things, the most recent financial statements, if any, of the Issuer when deciding whether or not to purchase any Covered Bonds.

This Base Prospectus or any Final Terms (as defined below) does not constitute an offer to sell or a solicitation of an offer to buy any securities other than Covered Bonds or an offer to sell or a solicitation of any offer to buy any Covered Bonds in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction. The distribution of this Base Prospectus and the offer or sale of Covered Bonds may be restricted by law in certain jurisdictions. The Issuer, the Arrangers and the Dealers do not represent that this Base Prospectus may be lawfully distributed, or that any Covered Bonds may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Arrangers or the Dealers (save for application for approval by the CMVM of this Base Prospectus as a base prospectus – the competent authority in Portugal for the purposes of the Prospectus Directive (as defined below) and the relevant Portuguese laws –compliant with the Prospectus Directive and the relevant Portuguese laws) which would permit a public offering of any Covered Bonds or the distribution of this Base Prospectus or any other offering material relating to the Programme or the Covered Bonds issued thereunder in any jurisdiction where action for that purpose is required. Accordingly, no Covered Bonds may be offered or sold, directly or indirectly and neither this Base Prospectus nor any advertisement or other offering material relating to the Programme or the Covered Bonds issued thereunder may be distributed or published in any jurisdiction, except under circumstances that would result in compliance with any applicable securities laws and regulations. Each Dealer has represented or, as the case may be, will be required to represent that to the best of its knowledge all offers and sale by it will be made on the terms indicated above. Persons into whose possession this Base Prospectus or any Covered Bonds may come must inform themselves about, and observe, any applicable restrictions on the distribution of this Base Prospectus and the offering and sale of the Covered Bonds. In particular, there are restrictions on the distribution of this Base Prospectus and the offer or sale of Covered Bonds in the United States, the European Economic Union (the "EEA") (including Italy, Portugal and the United Kingdom) and Japan. See *Subscription and Sale and Secondary Market Arrangements*.

The Arrangers, the Common Representative and the Dealers have not independently verified the information contained or incorporated in this Base Prospectus. Accordingly, none of the Arrangers, the Common Representative or the Dealers makes any representation, warranty or undertaking, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information contained in this Base Prospectus. Neither this Base Prospectus nor any other information supplied in connection with the Programme or the Covered Bonds is intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Issuer, the Arrangers, the Common Representative or the Dealers that any recipient of this Base Prospectus or any other financial information supplied in connection with the Programme should purchase the Covered Bonds. Each investor contemplating purchasing any Covered Bonds should make its own independent investigation of the financial condition and affairs and its own appraisal of the creditworthiness of the Issuer and the advantages and risks of investing in Covered Bonds. Any investor in the Covered Bonds should be able to bear the economic risk of an investment in the Covered Bonds for an indefinite period of time. Neither this Base Prospectus nor any other information supplied in connection with the Programme constitutes a public offer or invitation by or on behalf of the Issuer, the Arrangers, the Common Representative or any of the Dealers to subscribe for or to purchase any Covered Bonds. Neither the Arrangers, the Dealers nor the Issuer make any representation to any investor in the Covered Bonds regarding the legality of its investment under any applicable laws. None of the Arrangers, the Common Representative or the Dealers undertakes to review the financial condition or affairs of the Issuer during the life of the arrangements contemplated by this Base Prospectus nor to advise any investor or potential investor in Covered Bonds of any information coming to the attention of the Arrangers, the Common Representative or any of the Dealers.

This Base Prospectus has been prepared on the basis that, except to the extent sub-paragraph (ii) below may

apply, any offer of Covered Bonds in any Member State of the EEA which has implemented the Prospectus Directive (each, a “**Relevant Member State**”) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Covered Bonds. Accordingly any person making or intending to make an offer in that Relevant Member State of Covered Bonds which are the subject of a placement contemplated in this Base Prospectus as completed by final terms in relation to the offer of those Covered Bonds may only do so (i) in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer, or (ii) if a prospectus for such offer has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State and (in either case) published, all in accordance with the Prospectus Directive, provided that any such prospectus has subsequently been completed by final terms which specify that offers may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State and such offer is made in the period beginning and ending on the dates specified for such purpose in such prospectus or final terms, as applicable. Except to the extent sub-paragraph (ii) above may apply, neither the Issuer nor any Dealer have authorised, nor do they authorise, the making of any offer of Covered Bonds in circumstances in which an obligation arises for the Issuer or any Dealer to publish or supplement a prospectus for such offer. The expression “**Prospectus Directive**” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression “**2010 PD Amending Directive**” means Directive 2010/73/EU.

In this Base Prospectus, unless otherwise specified or the context otherwise requires, references to “**€**”, “**EUR**” or “**euro**” are to the lawful currency of the Member States of the European Union that adopt the single currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No. 974/98 of 3 May 1998 on the introduction of the euro, as amended, to “**U.S.\$**”, “**USD**” or “**U.S. dollars**” are to United States dollars, the lawful currency of the United States of America, and to “**£**” or “**GBP**” or “**pounds sterling**” are to pounds sterling, the lawful currency of the United Kingdom.

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In connection with the issue of any Tranche (as defined in General Description of the Programme), the Dealer or Dealers (if any) named as the stabilising manager(s) (the “**Stabilising Manager(s)**”) (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms may over-allot Covered Bonds or effect transactions with a view to supporting the market price of the Covered Bonds at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake any stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche and 60 days after the date of the allotment of the relevant Tranche. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or person(s) acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

Certain Series of Covered Bonds to be issued under this Base Prospectus may be rated or unrated. Where an issue of Covered Bonds is rated, such rating will be specified in the relevant Final Terms. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. Whether or not each credit rating applied for in relation to a relevant Series of Covered Bonds will be issued by a credit rating agency established in the European Union and registered under Regulation (EC) No. 1060/2009 (as amended by Regulation (EU) No. 513/2011 of the European Parliament and the Council, the (“**CRA Regulation**”)) will be disclosed in the Final Terms.

## GENERAL DESCRIPTION OF THE PROGRAMME

Under this Programme, the Issuer may from time to time issue Covered Bonds denominated in any currency agreed between the Issuer and the relevant Dealer, subject as set out herein. A summary of the terms and conditions of the Programme and the Covered Bonds appears under *Summary of the Covered Bonds Programme*. The applicable terms of any Covered Bonds will be agreed between the Issuer and the relevant Dealer prior to the issue of those Covered Bonds and will be set out in the Terms and Conditions of the Covered Bonds endorsed on, or attached to, the Covered Bonds as modified and supplemented by the applicable final terms attached to, or endorsed on, such Covered Bonds (the “**Final Terms**”), as more fully described under *Final Terms for Covered Bonds* below. Covered Bonds may be issued under the Programme up to 23 November 2021.

This Base Prospectus will only be valid for admitting Covered Bonds to trading on Euronext Lisbon or on any other regulated market for the purposes of Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments, as amended, until no more Covered Bonds are continuously or repeatedly issued under the Programme in an aggregate nominal amount which, when added to the aggregate nominal amount then outstanding on all Covered Bonds previously or simultaneously issued under the Programme, does not exceed €15,000,000,000 (subject to increase in accordance with the Programme Agreement (as defined below)) or its equivalent in other currencies. For the purpose of calculating the euro equivalent of the aggregate nominal amount of Covered Bonds issued under the Programme from time to time:

- (a) the euro equivalent of Covered Bonds denominated in another Specified Currency (as specified in the applicable Final Terms in relation to the Covered Bonds, described under *Final Terms for Covered Bonds*) shall be determined, at the discretion of the Issuer, either as of the date on which agreement is reached for the issue of Covered Bonds or on the preceding day on which commercial banks and foreign exchange markets are open for business in Lisbon, in each case, on the basis of the spot rate for the sale of the euro against the purchase of such Specified Currency in the Lisbon foreign exchange market quoted by any leading international bank selected by the Issuer on the relevant day of calculation;
- (b) the euro equivalent of Index Linked Covered Bonds (as specified in the applicable Final Terms in relation to the Covered Bonds, described under *Final Terms for Covered Bonds*) shall be calculated in the manner specified above by reference to the original nominal amount on issue of such Covered Bonds; and
- (c) the euro equivalent of Zero Coupon Covered Bonds (as specified in the applicable Final Terms in relation to the Covered Bonds, described under *Final Terms for Covered Bonds*) and other Covered Bonds issued at a discount or a premium shall be calculated in the manner specified above by reference to the net proceeds received by the Issuer for the relevant issue.

## SUMMARY OF THE COVERED BONDS PROGRAMME

*This summary must be read as an introduction to this Base Prospectus and any decision to invest in any Covered Bonds should be based on a consideration of this Base Prospectus as a whole, including any documents incorporated by reference.*

*Following the implementation of the relevant provisions of the Prospectus Directive in each Member State of the EEA, no civil liability will attach to the persons who have responsibility for this summary in any such Member State in respect of this summary, including any translation thereof, unless it is misleading, inaccurate or inconsistent when read together with the other parts of this Base Prospectus. Where a claim relating to the information contained in this Base Prospectus is brought before a court in a Member State of the EEA, the plaintiff may, under the national legislation of the Member State where the claim is brought, be required to bear the costs of translating the Base Prospectus before the legal proceedings are initiated.*

*This summary is qualified in its entirety by the rest of this Base Prospectus.*

*Capitalised terms used in this summary and not otherwise defined below or under Definitions have the respective meanings given to those terms elsewhere in this Base Prospectus.*

<b>DESCRIPTION:</b>	Covered Bonds Programme.
<b>PROGRAMME SIZE:</b>	<p>Up to €15,000,000,000 (or its equivalent in other currencies, all calculated as described under <i>General Description of the Programme</i>) aggregate principal amount (or, in the case of Covered Bonds issued at a discount, their aggregate nominal value) of Covered Bonds outstanding at any time.</p> <p>The Issuer will have the option at any time to increase the amount of the Programme, subject to compliance with the relevant provisions of the Programme Agreement.</p> <p>Covered Bonds may be issued under the Programme up to 23 November 2021.</p>
<b>ISSUER:</b>	<p>Caixa Geral de Depósitos, S.A. (<i>see Description of the Issuer</i>).</p> <p>The Issuer is a State owned public limited liability company incorporated under the laws of Portugal ("<i>sociedade anónima de capitais exclusivamente públicos</i>") and an authorised credit institution registered with the Bank of Portugal, with head office at Av. João XXI, no. 63, 1000-300 Lisboa, registered with the Commercial Registration Office of Lisbon under its taxpayer number 500 960 046, with a share capital of €5,900,000,000.</p> <p>The Issuer operates as a universal credit institution, providing various banking services (including mortgage lending) and is subject to the legislation applicable to Portuguese financial institutions, offering specialised financial services and providing customers with a wide range of banking and financial services. The Issuer enjoys, through its affiliate companies, an integrated presence in the following areas: investment banking, brokerage services and venture capital, property, insurance, asset management, specialised credit, e-commerce and cultural activities.</p>
<b>AUDITOR:</b>	<p>The Issuer's auditor is Deloitte &amp; Associados – SROC, S.A., member of the Portuguese Institute of Statutory Auditors ("<i>Ordem dos Revisores Oficiais de Contas</i>"), registered with the CMVM with registration number 231, with registered office at Edifício Atrium Saldanha, Praça Duque de Saldanha, 1 – 6º, 1050-094, Lisboa.</p>
<b>ARRANGER:</b>	Barclays Bank PLC.
<b>CO-ARRANGER:</b>	Caixa – Banco de Investimento, S.A. (together with the Arranger, the " <b>Arrangers</b> ").



<b>DEALERS:</b>	Banco Bilbao Vizcaya Argentaria, S.A., Bankia S.A., Barclays Bank PLC, Bayerische Landesbank, BNP Paribas, Caixa–Banco de Investimento, S.A., Crédit Agricole CIB, Credit Suisse Securities (Europe) Limited, Citigroup Global Markets Limited, Commerzbank Aktiengesellschaft, Daiwa Capital Markets Europe Limited, Deutsche Bank Aktiengesellschaft, DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main, HSBC France, Natixis, J.P. Morgan Securities plc, Merrill Lynch International, Morgan Stanley & Co International plc, Nomura International plc, Société Générale, The Royal Bank of Scotland plc, UBS Limited and UniCredit Bank AG, and any other Dealer(s) appointed from time to time by the Issuer in accordance with the Programme Agreement.
<b>COMMON REPRESENTATIVE:</b>	Deutsche Trustee Company Limited, in its capacity as representative of the holders of the Covered Bonds pursuant to Article 14 of the Covered Bonds Law in accordance with the Terms and Conditions and the terms of the Common Representative Appointment Agreement, having its registered office at Winchester House, 1 Great Winchester Street, London EC2N 2DB, United Kingdom.
<b>AGENT:</b>	Caixa Geral de Depósitos, S.A., in its capacity as Agent, with head office at Av. João XXI, no. 63, 1000-300 Lisboa.
<b>PAYING AGENT:</b>	Caixa Geral de Depósitos, S.A., in its capacity as Paying Agent, with head office at Av. João XXI, no. 63, 1000-300 Lisboa, and any other Paying Agent appointed from time to time by the Issuer in accordance with the Programme Documents.
<b>COVER POOL MONITOR:</b>	Deloitte & Associados – SROC, S.A., member of the Portuguese Institute of Statutory Auditors (" <i>Ordem dos Revisores Oficiais de Contas</i> "), registered with the CMVM with registration number 231, with registered office at Edifício Atrium Saldanha, Praça Duque de Saldanha, 1 – 6 <sup>th</sup> , 1050-094, Lisboa. <i>See Cover Pool Monitor.</i>
<b>ACCOUNTS BANK:</b>	Caixa Geral de Depósitos, S.A., in its capacity as Accounts Bank, with head office at Av. João XXI, no. 63, 1000-300 Lisboa.
<b>HEDGE COUNTERPARTIES:</b>	The parties or party (each, a "Hedge Counterparty" and together, the "Hedge Counterparties") that, from time to time will enter into Hedging Contracts with the Issuer in accordance with the Covered Bonds Law.
<b>RISK FACTORS:</b>	There are certain factors that may affect the Issuer's ability to fulfil its obligations under the Covered Bonds issued under the Programme. These are set out under <i>Risk Factors</i> below and include, <i>inter alia</i> , exposure to adverse changes in the Portuguese economy, the credit risk of borrowers and clients of the Issuer, the risk of increased competition in the Portuguese market and other market risks to which the Issuer is or may become exposed. In addition, there are risk factors which are material for the purpose of assessing the other risks associated with Covered Bonds issued under the Programme. These are also set out in detail under <i>Risk Factors</i> below and include, <i>inter alia</i> , the untested nature of the Covered Bonds Law, the dynamics of the legal and regulatory requirements, the fact that the Covered Bonds may not be suitable investments for all investors, the risks related to the structure of a particular issue of Covered Bonds and the risks related to applicable tax certificate requirements.

<b>DISTRIBUTION:</b>	Covered Bonds may be distributed by way of private placement and on a non-syndicated or syndicated basis. The method of distribution of each Tranche of Covered Bonds will be stated in the applicable Final Terms. Covered Bonds will be issued and placed only outside the United States in reliance on Regulation S under the Securities Act ("Regulation S"). See <i>Subscription and Sale and Secondary Market Arrangements</i> .
<b>CERTAIN RESTRICTIONS:</b>	Each issue of Covered Bonds denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see <i>Subscription and Sale and Secondary Market Arrangements</i> ).
<b>CURRENCIES:</b>	Subject to compliance with relevant laws, Covered Bonds may be issued in any currency agreed between the Issuer and the relevant Dealer(s) (as set out in the applicable Final Terms).
<b>REDENOMINATION:</b>	The applicable Final Terms may provide that certain Covered Bonds not denominated in euro on issue may be redenominated in euro.
<b>RATINGS:</b>	<p>Covered Bonds issued under the Programme are expected on issue to be rated by at least one rating agency which has applied to be registered with the European Securities and Markets Authority under Regulation (EC) no. 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies (the "<b>CRA Regulation</b>"), as amended by Regulation (EU) no. 513/2011 of the European Parliament and of the Council of 11 May 2011.</p> <p>The rating of Covered Bonds will not necessarily be the same as the rating applicable to the Issuer. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. A rating addresses the likelihood that the holders of Covered Bonds will receive timely payments of interest and ultimate repayment of principal at the Maturity Date or the Extended Maturity Date, as applicable..</p> <p>European regulated investors should be aware that in general they are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the CRA Regulation, unless the rating is provided by a credit rating agency operating in the European Union before 7 June 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration is not refused.</p>

**LISTING AND  
ADMISSION TO  
TRADING:**

Application has been made to the CMVM to approve this document as a Base Prospectus (the approval of which has been obtained on 17 November 2006) and further application has been made to Euronext for the admission of Covered Bonds issued under the Programme to trading on Euronext Lisbon. Covered Bonds may, after notification by the CMVM to the supervision authority of the relevant Member State(s) of the European Union ("EU") in accordance with Article 18 of the Prospectus Directive, be admitted to trading on the regulated market(s) of and/or be admitted to listing on stock exchange(s) of any other member states of the EEA. Covered Bonds which are neither listed nor admitted to trading on any market may also be issued under the Programme. The relevant Final Terms will state whether or not the relevant Covered Bonds are to be listed and/or admitted to trading and, if so, on which stock exchange(s) and/or regulated market(s).

**SELLING  
RESTRICTIONS:**

There are restrictions on the offer, sale and transfer of the Covered Bonds in the United States, Japan, the EEA, the United Kingdom, Italy and Portugal as set out in *Subscription and Sale and Secondary Market Arrangements* and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Covered Bonds in a particular jurisdiction, which will be set out in the relevant Final Terms.

**UNITED STATES  
SELLING  
RESTRICTION:**

The Covered Bonds have not been and will not be registered under the Securities Act and may not be offered or sold in the United States or to, or for the benefit of, US persons unless an exemption from the registration requirements of the Securities Act is available or in a transaction not subject to the registration requirements of the Securities Act. Accordingly, the Covered Bonds are being offered and sold only outside the United States in reliance upon Regulation S under the Securities Act. There are also restrictions under United States tax laws on the offer or sale of Bearer Covered Bonds to U.S. persons; Bearer Covered Bonds may not be sold to U.S. persons except in accordance with United States treasury regulations as set forth in the applicable Final Terms. See *Subscription and Sale and Secondary Market Arrangements*.

**USE OF PROCEEDS:**

Proceeds from the issue of Covered Bonds will be used to support the business of the Issuer in the terms permitted by the Covered Bonds Law.

**STATUS OF THE  
COVERED BONDS:**

The Covered Bonds will constitute direct, unconditional and unsubordinated obligations of the Issuer and will rank pari passu among themselves. The Covered Bonds will be mortgage covered bonds issued by the Issuer in accordance with the Covered Bonds Law and, accordingly, will be secured on cover assets that comprise a cover assets pool maintained by the Issuer in accordance with the terms of the Covered Bonds Law, and will rank pari passu with all other obligations of the Issuer under mortgage covered bonds issued or to be issued by the Issuer pursuant to the Covered Bonds Law. See *Characteristics of the Cover Pool*.

**TERMS AND  
CONDITIONS OF THE  
COVERED BONDS:  
CLEARING SYSTEMS:**

Final Terms will be prepared in respect of each Tranche of Covered Bonds, supplementing or modifying the Terms and Conditions of the Covered Bonds set out in *Terms and Conditions of the Covered Bonds*.

Interbolsa, and/or Euroclear, and/or Clearstream, Luxembourg, (together the "Clearing Systems" and, each, a "Clearing System") and/or, in relation to any Series of Covered Bonds, any other clearing system as specified in the relevant Final Terms. See *Form of the Covered Bonds and Clearing Systems*.

**FORM OF THE  
COVERED BONDS:**

The Covered Bonds held through Interbolsa will be in book-entry form, either in bearer or in registered form, and thus title to such Covered Bonds will be evidenced by book entries in accordance with the provisions of the Portuguese Securities Code and the applicable CMVM regulations. No physical document of title will be issued in respect of Covered Bonds held through Interbolsa. The Covered Bonds held through Euroclear and/or Clearstream will be issued in the form of either a temporary global covered bond or a permanent global covered bond and may be issued in bearer or registered form, as indicated in the applicable Final Terms. Bearer Covered Bonds held through Euroclear and/or Clearstream may be issued in new global note form ("NGN"). Registered Covered Bonds will not be exchangeable for Bearer Covered Bonds and vice versa. See *Form of the Covered Bonds and Clearing Systems*.

**TRANSFER OF  
COVERED BONDS:**

The Covered Bonds may be transferred in accordance with the provisions of the relevant Clearing System or other central securities depository with which the relevant Covered Bond has been deposited. The transferability of the Covered Bonds is not restricted.

**MATURITIES:**

The Covered Bonds will have such maturities as may be agreed between the Issuer and the relevant Dealer(s) and as set out in the applicable Final Terms, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body), the Covered Bonds Law or any laws or regulations applicable to the Issuer or the relevant Specified Currency. Currently the Covered Bonds Law establishes that Covered Bonds may not be issued with a maturity term shorter than 2 years or in excess of 50 years. See also *Extended Maturity Date*.

**ISSUE PRICE:**

The Covered Bonds may be issued on a fully-paid basis and at an issue price which is at par or at a discount to, or premium over, par, as specified in the applicable Final Terms.

**EVENTS OF DEFAULT:**

Issuer Insolvency. See *Terms and Conditions of the Covered Bonds*.

**NEGATIVE PLEDGE:**

None.

**CROSS DEFAULT:**

None.

**GUARANTOR:**

None.

**FIXED RATE COVERED  
BONDS:**

Fixed interest will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer(s) and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer(s) (as set out in the applicable Final Terms).

**FLOATING RATE  
COVERED BONDS:**

Floating Rate Covered Bonds will bear interest determined separately for each Series as follows:

- on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association Inc. ("ISDA") and as amended and updated as at the Issue Date of the first Tranche of Covered Bonds of the relevant Series); or
- on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or

	<p>•on such other basis as may be agreed between the Issuer and the relevant Dealer(s), as set out in the applicable Final Terms.</p> <p>The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer(s) for each Series of Floating Rate Covered Bonds. Interest periods will be specified in the applicable Final Terms.</p>
<b>ZERO COUPON COVERED BONDS:</b>	Zero Coupon Covered Bonds may be offered and sold at a discount to their nominal amount unless otherwise specified in the applicable Final Terms.
<b>INDEX LINKED COVERED BONDS:</b>	Payments of principal in respect of Index Linked Redemption Covered Bonds or of interest in respect of Index Linked Interest Covered Bonds will be calculated by reference to such index and/or formula as may be specified in the applicable Final Terms.
<b>REDEMPTION:</b>	<p>The applicable Final Terms relating to each Tranche of Covered Bonds will specify either (i) that the relevant Covered Bonds cannot be redeemed prior to their stated maturity, save as provided for in the Covered Bonds Law (other than in specified instalments, if applicable – see <i>The Covered Bonds Law</i>), or (ii) that the relevant Covered Bonds will be redeemable at the option of the Issuer and/or the holder of Covered Bonds upon giving notice to the holder of Covered Bonds or the Issuer, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer(s). The applicable Final Terms may provide that the Covered Bonds may be redeemable in two or more instalments of such amounts and on such dates as are specified in the applicable Final Terms. See also <i>Extended Maturity Date</i>.</p>
<b>EXTENDED MATURITY DATE:</b>	<p>Unless the rating provided by the rating agencies appointed by the Issuer at the relevant time in respect of the Programme is adversely affected by such provisions, the applicable Final Terms will also provide that an Extended Maturity Date applies to each Series of the Covered Bonds.</p> <p>As regards redemption of Covered Bonds to which an Extended Maturity Date so applies, if the Issuer fails to redeem the relevant Covered Bonds in full on the Maturity Date (or within two Business Days thereafter), the maturity of the principal amount outstanding of the Covered Bonds not redeemed will automatically extend on a monthly basis up to one year but, no later than, the Extended Maturity Date, subject as otherwise provided for in the applicable Final Terms. In that event the Issuer may redeem all or any part of the principal amount outstanding of the Covered Bonds on an Interest Payment Date falling in any month after the Maturity Date up to and including the Extended Maturity Date or as otherwise provided for in the applicable Final Terms.</p> <p>As regards interest on Covered Bonds to which an Extended Maturity Date so applies, if the Issuer fails to redeem the relevant Covered Bonds in full on the Maturity Date (or within two Business Days thereafter), the Covered Bonds will bear interest on the principal amount outstanding of the Covered Bonds from (and including) the Maturity Date to (but excluding) the earlier of the Interest Payment Date after the Maturity Date on which the Covered Bonds are redeemed in full or the Extended Maturity Date and will be payable in respect of the Interest Period ending immediately prior to the relevant Interest Payment Date in arrear or as otherwise provided for in the applicable Final Terms on each Interest Payment Date after the Maturity Date at the rate provided for in the applicable Final Terms.</p>

In the case of a Series of Covered Bonds to which an Extended Maturity Date so applies, those Covered Bonds may for the purposes of the Programme be:

(a) Fixed Interest Covered Bonds, Zero Coupon Covered Bonds, Floating Rate Covered Bonds or Index Linked Covered Bonds in respect of the period from the Issue Date to (and including) the Maturity Date;

(b) Fixed Interest Covered Bonds, Floating Rate Covered Bonds or Index Linked Covered Bonds in respect of the period from (but excluding) the Maturity Date to (and including) the Extended Maturity Date, as set out in the applicable Final Terms.

In the case of Covered Bonds which are Zero Coupon Covered Bonds up to (and including) the Maturity Date and for which an Extended Maturity Date applies, the initial outstanding principal amount on the Maturity Date for the above purposes will be the total amount otherwise payable by the Issuer but unpaid on the relevant Covered Bonds on the Maturity Date.

**DENOMINATION OF  
THE COVERED BONDS:**

Covered Bonds will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer(s), as specified in the applicable Final Terms, subject to compliance with the applicable legal and/or regulatory and/or central bank requirements and provided that each Series will have Covered Bonds of one denomination only. See *Certain Restrictions* above.

**MINIMUM  
DENOMINATION:**

The Covered Bonds to be issued on or after the date hereof will be issued in denomination per unit equal to or higher than €1,000 (or its equivalent in another currency) as specified in the relevant Final Terms, provided that any Covered Bonds, distributed to the public or admitted to trading on a regulated market, will always be issued in a denomination per unit not lower than €100,000.

**TAXATION OF THE  
COVERED BONDS:**

All payments in respect of the Covered Bonds will be made without deduction for, or on account of, withholding Taxes imposed by any jurisdiction, unless the Issuer shall be obliged by law to make such deduction or withholding. The Issuer will not be obliged to make any additional payments in respect of any such withholding or deduction imposed. See *Taxation*. In order for withholding tax not to apply, the holders of the Covered Bonds must, *inter alia*, deliver certain tax certifications. See *Taxation* section.

**THE COVERED BONDS  
LAW:**

The Covered Bonds Law introduced into Portuguese Law a framework for the issuance of certain types of asset covered bonds. Asset covered bonds can only be issued by (i) credit institutions for the purpose of the Credit Institutions General Regime or (ii) by special credit institutions created pursuant to the Covered Bonds Law, whose special purpose is the issue of covered bonds. The Covered Bonds Law establishes that issuers of mortgage covered bonds shall maintain a cover assets pool, comprised of mortgage credit assets and limited classes of other assets, over which the holders of the relevant covered bonds have a statutory special creditor privilege.

The Covered Bonds Law also provides for (i) the inclusion of certain hedging contracts in the relevant cover pool and (ii) certain special rules that shall apply in the event of insolvency of the Issuer. The Covered Bonds Law and the Bank of Portugal Regulations further provide for (i) the supervision and regulation of issuers of covered bonds by the Bank of Portugal, (ii) the role of a cover pool monitor in respect of each issuer of covered bonds and the relevant cover pool maintained by it, (iii) the role of the common representative of the holders of covered bonds, (iv) restrictions on the types and status of the assets comprised in a cover pool (including loan to value restrictions, weighted average interest receivables and weighted average maturity restrictions), and (v) asset/liability management between the cover pool and the covered bonds. See *Characteristics of the Cover Pool, Insolvency of the Issuer, Common Representative of the Holders of Covered Bonds and The Covered Bonds Law*.

The Covered Bonds issued by the Issuer will qualify as mortgage covered bonds for the purposes of the Covered Bonds Law. The Covered Bonds will be senior obligations of the Issuer and will rank equally with all other Covered Bonds which may be issued by the Issuer. In the event of an insolvency of the Issuer, the holders of the Covered Bonds issued by the Issuer, together with the Other Preferred Creditors, will have recourse under the Covered Bonds Law to the Cover Pool in priority to other creditors (whether secured or unsecured) of the Issuer who are not preferred creditors under the Covered Bonds Law. See *Characteristics of the Cover Pool – Insolvency of the Issuer*.

**GOVERNING LAW:**

Unless otherwise specifically provided, the Covered Bonds and all other documentation and matters relating to the Programme are governed by, and will be construed in accordance with, Portuguese Law.

## **RISK FACTORS**

*The Issuer believes that the following factors may affect its ability to fulfil its obligations under Covered Bonds issued under the Programme. All of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.*

*Factors which the Issuer believes may be material for the purpose of assessing the market risks associated with Covered Bonds issued under the Programme are also described below.*

*The Issuer believes that the factors described below represent the principal risks inherent in investing in Covered Bonds issued under the Programme, but the Issuer may be unable to pay interest, principal or other amounts on or in connection with any Covered Bonds for other reasons and the Issuer does not represent that the statements below regarding the risks of holding any Covered Bonds are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus or incorporated by reference herein and reach their own views prior to making any investment decision.*

*Words and expressions defined in Definitions shall have the same meaning in this section.*

### **Covered Bonds are obligations of the Issuer only**

The Covered Bonds will constitute unsubordinated obligations of the Issuer secured by a special creditor privilege created under the Covered Bonds Law over the Cover Pool (as defined in *Terms and Conditions of the Covered Bonds*) maintained by the Issuer. An investment in the Covered Bonds involves a reliance on the creditworthiness of the Issuer, which will be liable solely in its corporate capacity for its obligations in respect of the Covered Bonds and such obligations will not be the obligations of its officers, members, directors, employees, security holders or incorporators. The Covered Bonds are not guaranteed by any person. In addition, an investment in Covered Bonds involves the risk that subsequent changes in the actual or perceived creditworthiness of the Issuer may adversely affect the market value of the relevant Covered Bonds.

The Covered Bonds will not represent an obligation or be the responsibility of the Arrangers or the Dealers or any person other than the Issuer.

### **Competition**

The Issuer together with its consolidated subsidiaries (the “**CGD Group**”) faces strong competition across all of the markets in which it operates, from local and international financial institutions.

The competition in the Portuguese banking sector has increased significantly over the last years, mainly due to the deregulation and liberalisation of the banking system, which has resulted in important structural and operational changes. The most significant change happened in the eighties with the opening of the banking system to private entities and to foreign competition. The mergers and acquisitions involving the largest Portuguese banks have led to a significant level of banking concentration.

The principal competitors of the CGD Group in the banking sector in Portugal (ranking in terms of assets as of 31 December 2011) are the Millennium BCP Group, the BES Group, the Santander/Totta Group and the BPI Group.

The competition is affected by consumer demand, technological changes, impact of consolidation, regulatory actions and other factors. The Issuer expects competition to intensify as continued merger activity in the financial industry produces larger, better-capitalised companies that are capable of offering a wider array of products and services, and at competitive prices. In addition, competition has increased further with the emergence of non-traditional distribution channels, such as internet and telephone banking. If the CGD group is unable to provide attractive product and service offerings that are profitable, it may lose market share or incur losses on some or all activities.



While the Issuer believes it is positioned to compete effectively with these competitors, there can be no assurance that existing or increased competition will not adversely affect the Issuer in one or more of the markets in which it operates.

### **Economic activity in Portugal**

The Issuer's business activities (including mortgage lending activities) are dependent on the level of banking, finance and financial services required by its customers and borrowers in Portugal. In particular, levels of borrowing are heavily dependent on customer confidence, employment trends, the condition of the Portuguese economy and market interest rates. As the Issuer currently conducts the majority of its business in Portugal, its performance is influenced by the level and cyclical nature of business activity in Portugal, which is in turn affected by both domestic and international economic and political events. A weakening in the Portuguese economy may have a material effect on the Issuer's financial condition and on the results of its operations.

### **Exposure to the Issuer's credit risk**

The Covered Bonds are unsubordinated obligations of the Issuer secured by a special creditor privilege created under the Covered Bonds Law over the Cover Pool maintained by the Issuer. In case of insufficiency of the assets comprised by the Cover Pool, the holders of the Covered Bonds will be treated as common creditors of the Issuer and will have to rely, for the performance by the Issuer of its obligations under the Covered Bonds, on the sufficiency of the assets of the Issuer available to common creditors. Accordingly, the holders of Covered Bonds will become exposed to the credit risk of the Issuer, in case of insufficiency of the assets comprised by the Cover Pool to meet the obligations of the Issuer under the Covered Bonds.

Information on the ratings granted to the Issuer are available on the CMVM's website ([www.cmvm.pt](http://www.cmvm.pt)), under the section Material Information through the following link: [http://web3.cmvm.pt/english/sdi2004/emitentes/emit\\_fact.cfm?num\\_ent=%23%224%5BZ%0A](http://web3.cmvm.pt/english/sdi2004/emitentes/emit_fact.cfm?num_ent=%23%224%5BZ%0A).

### **Regulation of the Portuguese financial industry**

The CGD Group operates in a highly regulated industry. The banking activities of the CGD Group are subject to extensive regulation by the European Central Bank, the Bank of Portugal, mainly relating to liquidity levels, solvency and provisioning, and by the CMVM.

The Portuguese financial industry has been reacting to a steady stream of changes in the regulatory and legal framework since the early 1980s. The deregulation and liberalisation processes began in 1983 and were followed by the privatisation process (initiated in 1989) and the opening of the banking system to foreign competition. Restrictions on capital movement were gradually lifted as Portugal implemented legislation bringing Portuguese banking regulations in line with EC legislative practice. In particular, the "Credit Institutions General Regime" of December 1992 (Decree Law no. 298/92) made a noticeable impact on the Portuguese financial sector by introducing a comprehensive regulatory framework in Portugal in line with applicable EC Directives, eliminating the distinction between investment and commercial banks, establishing prudential and supervisory rules, revising the regulation of foreign banks operating in Portugal and Portuguese banks operating abroad and creating a deposit guarantee fund to protect depositors. In January 2005, the majority of the Portuguese financial sector (representing more than 84 per cent. of total liquid assets) adopted IAS/IFRS accounting rules.

In order to adopt the Codified Banking Directive (2006/48/EC) and the Capital Adequacy Directive (2006/49/EC), a new regulatory framework was implemented in 2007 with the publication of Decree Law no. 103/2007 and Decree Law no. 104/2007, both dated 3 April, and a new set of Regulations and Instructions of the Bank of Portugal were implemented to regulate the provisions laid down in those Decree Laws. This new regulatory framework came into full force and effect during 2007 and at 1

January 2008.

The new regulation created the possibility of using two methods for the calculation of own funds requirements. The first method is the Standardised Approach, which is largely based on credit ratings published by external credit assessment institutions (“ECAI”) . It involves weighing the risks in accordance with the type of borrower and exposure. The second method, which has two variations, is the Internal Ratings Based approach (“IRB”). The IRB approach allows the use of internal methodologies for the calculation of own funds requirements, where the calculation of risk-weighted exposure considers the input parameters of the probability of default (“PD”), the loss given default (“LGD”) and the exposure at default (“EAD”). The Issuer applies the Standardised Approach method.

Directives 2004/39/EC, 2006/73/EC and Regulation 1287/2006 on markets and financial instruments (“MiFID”) and Directives 2004/109/EC and 2007/14/EC (“Transparency Directives”) also entered into force in 2007. This legislation has a two-fold aim of protecting investors and ensuring the smooth operation of the securities market. The legislation was necessary to ensure the transparency of transactions and that the rules laid down for that purpose apply to investment firms when operating in markets.

During 2008, the Bank of Portugal published a new set of Regulations and Instructions, namely Regulation 6/2008 and Regulation 11/2008, applying new rules for the valuation of pension funds and the impact on calculating core capital. Regulation 8/2008 modifies core capital and capital ratio calculation methods to comply with Directives 2006/48/EC and 2006/49/EC.

During 2009 and 2010, the following Directives were implemented in 2009 and 2010: (i) Directive 2007/44/EC, amending several Directives regarding procedural rules and evaluation criteria for the prudential assessment of acquisitions and increased holdings in the financial sector; (ii) Directive 2009/27/EC (amending certain Annexes to Directive 2006/49/EC) regarding technical provisions concerning risk management; and (iii) Directive 2009/111/EC regarding banks affiliated with central institutions, certain own funds items, heightened exposure, supervisory arrangements and crisis management.

The Basel Committee on Banking Supervision recently announced a substantial strengthening of existing capital rules, in particular response to the weaknesses in banks' capital structure revealed during the recent financial crisis. The new capital rules for banks will be applicable from 1 January 2013 and may have a significant impact on the CGD Group's ongoing activities and capital structure. The Committee's reform package will increase the minimum common equity requirement from 2 per cent. to 4.5 per cent. In addition, banks will be required to hold a capital conservation buffer of 2.5 per cent. to face future crises, increasing the total common equity requirements to 7 per cent..

These changes in the regulatory and legal framework of the Portuguese financial sector, as well as any implementation of future EC Directives related to the financial industry, may have an impact on the business of the CGD Group. Changes in existing regulatory laws may materially affect the way in which the CGD Group conducts its business, the products and services it may offer and the values of its assets.

The capital adequacy requirements applicable to the CGD Group may limit its ability to advance loans to customers and may require it to issue additional equity capital or subordinated debt in the future, which are expensive sources of funding.

In addition, the Bank of Portugal has established minimum provisioning requirements regarding current loans, non-performing loans, overdue loans, impairment for securities and equity holdings, sovereign risk and other contingencies. Therefore, any change in these requirements could have an

adverse impact on the results of the CGD Group's operations.

On 31 December, 2010 the Bank of Portugal issued Regulation 6/2010 on own funds calculation rules applicable to credit institutions (which was subsequently amended by Regulation 7/2010 and Regulation 2/2012). This regulation replaced the Bank of Portugal's Regulation 12/92 on the matter, which had been amended several times following its publication.

During 2011, the Bank of Portugal issued Notice 3/2011 (subsequently amended by Notice 8/2011 and by Notice 4/2012), establishing a minimum Core Tier I of 9 per cent. as of 31 December 2011 and 10 per cent. as of 31 December 2012.

As at 31 December 2011, the CGD Group's solvency ratio of was 11.6 per cent. (9 per cent. corresponding to Tier I capital and 9.5 per cent. corresponding to Core Tier I capital).

As of 31 March 2012, the own funds ratio of the Issuer was 11.7 per cent. and the Tier 1 and Core Tier 1 capital ratios under Basel II were 9.2 per cent. and 9.6 per cent., respectively.

Additionally, on 8 December 2011, the European Banking Authority (EBA) issued a recommendation to European banks that are subject to the capital exercise. The EBA's objective was to create a temporary capital buffer to address current market concerns over sovereign risk, which reflect the current market prices of exposures to sovereign debt. Under this framework, EU banks are required to establish a buffer such that the Core Tier I capital ratio reaches 9 per cent. by the end of June 2012.

In the case of Issuer, on 20 January 2012, CGD presented the Capital Plan required by European Banking Authority (EBA) with the aim of achieving a Core Tier 1 ratio of 9 per cent. by 30 June 2012.

The programme of economic and financial assistance agreed with the EU and the International Monetary Fund ("IMF") also establishes key leverage reforms and specific medium-term funding plans. This increased supervision from the Bank of Portugal could increase costs and force the Issuer to dispose of its assets under unfavourable conditions. The Issuer could also be adversely affected if the requirements for public recapitalisation are implemented in accordance with the programme of economic and financial assistance agreed with the EU and the IMF.

### **Credit risk**

Risks arising from changes in credit quality and the repayment of loans and amounts due from borrowers and counterparties are inherent in a wide range of the Issuer's business. Adverse changes in the credit quality of the Issuer's borrowers and counterparties or a general deterioration in Portuguese or global economic conditions, or arising from systemic risks in financial systems, could affect the recovery and value of the Issuer's assets and require an increase in the Issuer's provision for bad and doubtful debts and other provisions, and accordingly would have a material adverse effect on the Issuer's financial condition and on the results of its operations.

### **Soundness of other counterparties**

The Issuer is a credit institution and, as such, it is the essence of its business to be exposed to many different counterparties in the normal course of its business; hence its exposure to counterparties in the financial services industry is significant. This exposure can arise through trading, lending, deposit-taking, clearance and settlement and numerous other activities and relationships. These counterparties include institutional clients, brokers and dealers, commercial banks, investment banks and mutuals. Many of these relationships expose the Issuer to credit risk in the event of default of a counterparty or client. In addition, the Issuer's credit risk may be exacerbated when the collateral it holds cannot be realised at, or is liquidated at prices not sufficient to recover, the full amount of the loan or derivative exposure it is due to cover, which could in turn affect the Issuer's ability to meet its payments under the Covered Bonds. Many of the hedging and other

risk management strategies utilised by the Issuer also involve transactions with financial services counterparties. The weakness or insolvency of these counterparties may impair the effectiveness of the Issuer's hedging and other risk management strategies, which could in turn affect the Issuer's ability to meet its payments under the Covered Bonds.

However, the likelihood of the Issuer not being able to meet its obligations under the Covered Bonds is mitigated by the provisions of the Covered Bonds Law, which allow the Issuer to activate credit facilities established (with credit institutions with a minimum rating of "A-"), such funds being used solely for redemption and interest payments of the Covered Bonds. Additionally, the Bank of Portugal has set certain regulations, establishing rules for risk mitigation which the Issuer is bound to follow. More specifically, in the case of a breach of payment of interest or principal, according to article 4, paragraph 5 of the Covered Bonds Law and paragraph 4 of Regulation 8/2006, bondholders can request the Common Representative to initiate at the Bank of Portugal, the due process for disclosure of the code key there deposited in order to access the segregated assets underlying the issues of Covered Bonds. Furthermore, if the assets comprised in the Cover Pool are not enough to pay interest and principal under the Covered Bonds, the holders of Covered Bonds will then rank *pari passu* with all the other unsecured creditors of the Issuer. See *Segregation of Cover Assets and Insolvency Remoteness in The Covered Bonds Law*. The risk management policies and instruments implemented by the Issuer, which encompasses the assessment and control of the Issuer's credit, market and liquidity risks, based on the principle of the separation of functions between commercial and risk areas also mitigate the risk of the Issuer not being able to meet its obligations under the Covered Bonds. For a description of the Issuer's risk management policies and instruments see *Risk Management in Description of the Issuer*.

### **Market risk**

The most significant market risks the Issuer faces are interest rate, foreign exchange and bond and equity price risks. Changes in interest rate levels, yield curves and spreads may affect the interest rate margin realised between lending and borrowing costs. Changes in exchange rates affect the value of assets and liabilities denominated in foreign currencies and may affect income from foreign exchange dealing. The performance of financial markets may cause changes in the value of the Issuer's investment and trading portfolios. The Issuer has implemented risk management methods to mitigate and control these and other market risks to which the Issuer is exposed and exposures are constantly measured and monitored. However, it is difficult to predict with accuracy changes in economic or market conditions and to anticipate the effects that such changes could have on the Issuer's financial condition and on the results of its operations.

### **Operational risk**

The Issuer's business is dependent on its ability to process a very large number of transactions efficiently and accurately. Given the high volume of transactions the Issuer processes on a daily basis, certain errors may be repeated or compounded before they are discovered and successfully rectified. Operational risk and losses can result from shortcomings or failures of the Issuer's internal processes, employees or systems, including any of the Issuer's financial, accounting or other data processing systems, fraud, errors by employees, failure to document transactions properly or to obtain proper internal authorisation, failure to comply with regulatory requirements and conduct of business rules, computer or telecommunications systems or other equipment failures, natural disasters or the failure of external systems such as, for example, those of the Issuer's suppliers or counterparties. Operational failures could lead to financial loss and damage to the Issuer's reputation and affect the Issuer's ability to conduct its business. Although the Issuer has implemented risk controls and loss mitigation actions, and substantial resources are devoted to developing efficient procedures and to staff training, it is not possible to implement procedures which are fully effective in controlling each of the operational risks.

## **Impact of regulatory changes**

The Issuer is subject to financial services laws, regulations, administrative actions and policies in each location where it operates. Changes in supervision and regulation, in particular in Portugal, could materially affect the Issuer's business, the products and services it offers or the value of its assets. Although the Issuer works closely with its regulators and continually monitors the situation, future changes in regulation, fiscal or other policies can be unpredictable and are beyond the control of the Issuer.

## **Portuguese Mortgage Covered Bonds Legislation Untested**

The Covered Bonds Law was passed in 2006 and came into force on 20 March 2006. The Issuer was the first Portuguese credit institution setting up a covered bonds programme under the Covered Bonds Law. The protection afforded to the holders of Covered Bonds by means of the special creditor privilege on the Cover Pool is based exclusively on the Covered Bonds Law and it has not yet been judicially challenged.

## **Extended Maturity of the Covered Bonds**

Unless the rating provided by the rating agencies appointed by the Issuer at the relevant time in respect of the Programme is adversely affected by such provisions, an Extended Maturity Date will apply to each Series of Covered Bonds issued under the Programme. If an Extended Maturity Date is specified in the applicable Final Terms as applying to a Series of Covered Bonds and the Issuer fails to redeem at par all of those Covered Bonds in full on the Maturity Date, the maturity of the principal amount outstanding of the Covered Bonds will automatically be extended on a monthly basis for up to one year to the Extended Maturity Date, subject as otherwise provided in the applicable Final Terms. In that event, the Issuer may redeem at par all or part of the principal amount outstanding of those Covered Bonds on an Interest Payment Date falling in any month after the Maturity Date up to and including the Extended Maturity Date, subject as otherwise provided in the applicable Final Terms. In that event also, the interest payable on the principal amount outstanding of those Covered Bonds will change as provided in the applicable Final Terms and such interest may apply on a fixed or floating basis. The extension of the maturity of the principal amount outstanding of those Covered Bonds from the Maturity Date up to the Extended Maturity Date will not result in any right of the holders of Covered Bonds to accelerate payments on those Covered Bonds or constitute an event of default for any purpose and no payment will be due to the holders of Covered Bonds in that event other than as set out in the Terms and Conditions (see *Terms and Conditions*) as amended by the applicable Final Terms.

## **Benefit of special creditor privilege (“*privilégio creditório*”)**

The holders of Covered Bonds issued by the Issuer under the Programme whether outstanding at the date hereof or in the future benefit from a special creditor privilege (“*privilégio creditório*”) over all assets comprised in the Cover Pool in relation to the payment of principal and interest on the Covered Bonds (see *Characteristics of the Cover Pool*). The Covered Bonds Law establishes that the Common Representative and any Hedge Counterparties at the date hereof and in the future are also preferred creditors of the Issuer which benefit from the above mentioned special creditor privilege (“*privilégio creditório*”). None of the assets comprised in the Cover Pool are or will be exclusively available to meet the claims of the holders of certain Covered Bonds ahead of other holders of Covered Bonds or of Other Preferred Creditors of the Issuer at the date hereof or in the future.

## **Dynamic Nature of the Cover Pool**

The Cover Pool may contain mortgage credits, other eligible assets, substitution assets and hedging contracts, in all cases subject to the limitations provided for in the Covered Bonds Law. At the date hereof, the Cover Pool contains mortgage credits, other eligible assets and hedging contracts in accordance with the Covered Bonds Law. The Covered Bonds Law permits the composition of the Cover Pool to be dynamic and does not require it to be static. Accordingly, the composition of mortgage credits (and other permitted

assets) comprised in the Cover Pool will change from time to time in accordance with the Covered Bonds Law – See *The Covered Bonds Law*.

### **Other Assets/Hedging Contracts**

The Covered Bonds Law permits the inclusion in the Cover Pool of other eligible assets and hedging contracts subject to certain restrictions under the Covered Bonds Law. The aggregate amount of other eligible assets cannot exceed 20 per cent. of the total value of the mortgage credits and other eligible assets comprised in the Cover Pool. See *Characteristics of the Cover Pool*.

### **Hedging Contracts**

Hedging contracts can be entered into exclusively to hedge risks such as interest rate risk, exchange rate risk and liquidity risk. At the date of this Base Prospectus it is intended that the Hedging Contracts will hedge the interest rate exposure with respect to the Mortgage Credits comprised in the Cover Pool as well as the interest rate exposure with respect to the Covered Bonds. The Issuer is entitled but not required to enter into hedging contracts under the Covered Bonds Law, except if the Covered Bonds and the Cover Pool are denominated in different currencies, in which case the Issuer shall hedge any exchange rate risk coverage. See *Characteristics of the Cover Pool—Hedging Contracts*.

### **Value of security over residential property**

The holders of Covered Bonds benefit from a special creditor privilege (“*privilégio creditório*”) over all assets comprised in the Cover Pool in relation to the payment of principal and interest on the Covered Bonds (See *Characteristics of the Cover Pool*). The security for a mortgage credit included in the Cover Pool consists of, among other things, a mortgage over a property granted in favour of the Issuer. The value of this property and accordingly, the level of recovery on the enforcement of the mortgage, may be affected by, among other things, a decline in the value of the relevant property and no assurance can be given that the values of the relevant properties will not decline in the future. A situation where a mortgage has to be enforced to pay the holders of Covered Bonds is, however, highly unlikely because the Covered Bonds Law establishes that any mortgage credits which are delinquent for over 90 days must be immediately substituted. See *The Covered Bonds Law*.

### **Amortisation of Mortgage Credits**

Mortgage credits which are included in the Cover Pool are and will generally be subject to amortisation of principal and payment of interest on a monthly basis. They are also subject to early repayment of principal at any time in whole or part by the relevant borrowers. Early repayments of principal on mortgage credits may result in the Issuer being required to include further mortgage credits and/or substitution assets in the Cover Pool in order for the Issuer to comply with the financial matching requirements under the Covered Bonds Law.

### **No Due Diligence**

None of the Arrangers or the Dealers has or will undertake any investigations, searches or other actions in respect of any assets contained or to be contained in the Cover Pool but will instead rely on representations and warranties provided by the Issuer in the Programme Agreement.

### **The Covered Bonds may not be a suitable investment for all investors**

Each potential investor in the Covered Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the relevant Covered Bonds, the merits and risks of investing in the relevant Covered Bonds and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement;

- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Covered Bonds and the impact such investment will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Covered Bonds, including Covered Bonds with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the currency in which such investor's financial activities are principally denominated;
- understand thoroughly the terms of the relevant Covered Bonds and be familiar with the behaviour of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

### **Risks related to the structure of a particular issue of Covered Bonds**

A wide range of Covered Bonds may be issued under the Programme. Covered Bonds may have features which contain particular risks for potential investors, who should consider the terms of the Covered Bonds before investing.

### **EU Savings Directive**

Under EC Council Directive 2003/48/EC on the taxation of savings income (the "Savings Directive"), each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income (to this effect, similar income includes, inter alia, payments on redemption of the Covered Bonds representing any discount on the issue of the Covered Bonds or any premium payable on redemption) paid by a person within its jurisdiction to, or collected by such a person for, an individual resident in that other Member State of the EU. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon conclusion of certain other agreements relating to information exchange with certain other countries).

A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

On 13 November 2008 the European Commission published a proposal for amendments to the Savings Directive, which included a number of suggested changes which, if implemented, would broaden the scope of the requirements described above. The European Parliament approved an amended version of this proposal on 24 April 2009. Investors who are in any doubt as to their position should consult their professional advisers.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Covered Bond as a result of the imposition of such withholding tax. The Issuer is required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the Savings Directive.

### **U.S. Foreign Account Tax Compliance Withholding**

The Issuer and other financial institutions through which payments on the Covered Bonds are made may be required to withhold U.S. tax at a rate of 30% on all, or a portion of, payments made after 31 December 2016 in respect of (i) any Covered Bonds characterised as debt (or which are not otherwise characterised as

equity and have a fixed term) for U.S. federal tax purposes that are issued after 31 December 2012 or are materially modified after that date and (ii) any Covered Bonds characterised as equity or which do not have a fixed term for U.S. federal tax purposes, whenever issued, pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code (FATCA) or similar law implementing an intergovernmental approach to FATCA. In addition, if Covered Bonds are issued before 1 January 2013 and additional Covered Bonds of the same series are issued after that date, the additional Covered Bonds may not be treated as exempt from FATCA withholding, which may have negative consequences on the existing Covered Bonds, including a negative impact on market price.

This withholding tax may be triggered if (i) the Issuer is a foreign financial institution (FFI) (as defined in FATCA) that enters into and complies with an agreement with the U.S. Internal Revenue Service (IRS) to provide certain information on its account holders (making the Issuer a Participating FFI), (ii) the Issuer has a positive “passthru payment percentage” (as determined under FATCA), and (iii)(a) an investor does not provide information sufficient for the relevant Participating FFI to determine whether the investor is a U.S. person or should otherwise be treated as holding a “United States Account” of such Participating FFI, or (b) any FFI that is an investor, or through which payment on such Covered Bonds is made, is not a Participating FFI.

The application of FATCA to interest, principal or other amounts paid with respect to the Covered Bonds is not clear. If an amount in respect of U.S. withholding tax were to be deducted or withheld from interest, principal or other payments on the Covered Bonds, neither the Issuer nor any paying agent nor any other person would, pursuant to the conditions of the Covered Bonds, be required to pay additional amounts as a result of the deduction or withholding of such tax. As a result, investors may, if FATCA is implemented as currently proposed by the IRS, receive less interest or principal than expected.

FATCA is particularly complex and its application is uncertain at this time. The above description is based in part on proposed regulations and official guidance that is subject to change.

### **Change of law**

The Terms and Conditions of the Covered Bonds are governed by Portuguese law in effect as at the date of issue of the relevant Covered Bonds. No assurance can be given as to the impact of any possible judicial decision or change to Portuguese laws, including the Covered Bonds Law, or administrative practice after the date of issue of the relevant Covered Bonds.

### **Bearer Covered Bonds where denominations involve integral multiples: Definitive Bearer Covered Bonds**

In relation to any issue of Bearer Covered Bonds (except for Covered Bonds cleared through Interbolsa, which, for the avoidance of doubt, will not have integral multiples) which have denominations consisting of a minimum Specified Denomination and one or more higher integral multiples of another smaller amount, it is possible that such Covered Bonds may be traded in amounts that are not integral multiples of such minimum Specified Denomination. In such a case, a holder who, as a result of such trading, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a Definitive Bearer Covered Bond in respect of such holding (should Definitive Bearer Covered Bonds be printed) and would need to purchase a principal amount of Covered Bonds such that its holding amounts to the minimum Specified Denomination.

If Definitive Covered Bonds are issued, holders should be aware that Definitive Covered Bonds which have a denomination which is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.



### **The secondary market generally**

Covered Bonds may have no established trading market when issued, and one may never develop. If a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Covered Bonds easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Covered Bonds that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or that have been structured to meet the investment requirements of limited categories of investors. These types of Covered Bonds generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Covered Bonds.

### **The international financial markets crisis**

The global financial crisis, beginning in 2007, has since resulted in the collapse of large financial institutions, bailouts of banks by national governments and downturns in stock markets around the world. The deterioration in the housing market has resulted in numerous foreclosures, which were mainly the result of long-term unemployment. The crisis played a significant role in the failure of key businesses, in the decline in consumer wealth and in a downturn in economic activity resulting in recession. There was a significant re-pricing of credit risk in financial markets. All of these elements were contributing factors to the European sovereign-debt crisis that is still being felt.

In 2011 the world economy experienced expansion, although a slowdown in economic growth was recorded in the second semester. After a first semester with a high rate of growth in economic activity, particularly in emerging countries, the second semester was characterised by growing concerns over the economic slowdown. Unlike 2010, deteriorating economic indicators in many regions of the globe led to successive downgrades of growth estimates for 2011 by financial institutions such as, among others, the IMF and the OECD.

The exacerbation of the sovereign debt crisis heightened the risk aversion of several financial market players, particularly in the second semester. This led to a new stage of widening spreads on government bonds, which is no longer limited to peripheral economies. This was also the case of corporate bonds, as well as a notable reduction in new private debt issues in the market, with the financial sector affected the most. Widening spreads were particularly noticeable and reached historical highs, exceeding those at the time of the bankruptcy of North American bank Lehman Brothers.

The sovereign debt crisis was also felt in the US. Forced to increase the public debt limit at a time of increasing difficulties in terms of the funding of sovereign states, US public debt was downgraded in August by S&P from AAA to AA+.

In terms of economic growth, 2011 was marked by differences in the level of performance of the two biggest economies. The US experienced a poor start to the year, which was followed by an acceleration in recent months, particularly owing to an upturn in consumption and investment. The opposite occurred in the euro area, with confidence indices ending the year in the recessionary zone.

Among the sectors of the global credit markets that have experienced particular difficulty due to the current crisis are markets in sub-prime mortgage-backed securities, asset-backed securities, collateralised debt obligations, leveraged finance and complex structured securities. The result has been historic volatility, limited to no liquidity, the widening of credit spreads and a lack of price transparency in certain markets.

As a whole, the above conditions have led to a crisis extending beyond the specific markets that are exposed to these direct conditions, but also to financial institutions which had no direct exposure to them. Accordingly, and although not directly affecting the quality of the assets forming the Cover Pool, these conditions could adversely affect the Issuer's investments, consolidated financial situation, or financial

results in the future.

## **Main Risks and Uncertainties for the Second Semester of 2012**

An assessment of 2012 must start with a review of 2011, during which several risks materialised that were, at least in part, critical factors causing uncertainty and which have yet to fully dissipate.

The deceleration of the world economy in the second semester of 2011 coupled with the perception of increasing risks for growth in the coming future triggered a downward revision of estimates of the rate of growth in economic activity in 2012. Although the year began with expectations of a slowdown in comparison to the preceding year, doubts nevertheless remain over the extent thereof, both in terms of magnitude and regional scope.

The euro area is a major area of concern and its economic data indicate a strong slowdown which may even include a period of moderate recession, a circumstance recognised by various leading institutions.

The impact of some moderation in activity noted in the rest of the world and, in particular, the consequences of the sovereign debt crisis in Europe, either based on the reinforcement of budget austerity or decrease in the confidence of economic agents, are several of the reasons for a scenario involving a recession in European economic recovery after the so-called “major recession” of 2009.

The authorities failed to find a definitive solution to the prolonged European sovereign debt crisis and its deepening and spread to a growing number of countries, despite the innumerable measures and decisions made by political and monetary authorities in 2011. The attention in 2012 therefore continues to converge on these decision-makers and the market’s reaction to their performance, in addition to the evolution of the situation.

The incapacity to contain and reduce the uncertainty surrounding the health of public finances in the euro area, the quality of the assets issued by entities of its Member States and the Economic and Monetary Union Project in themselves have led to the materialisation of the perception of risk by financial markets players of significance.

It is crucial that the severe aversion to risk be contained, therefore guaranteeing investors’ greater receptiveness to public and private debt issues in 2012, diminishing the possibility of a new contagion of the crisis, and reducing the borrowing costs of issuers and economic agents in general.

The interconnection between economic performance and the development of the sovereign debt crisis has made avoiding a negative cycle to be crucial and illustrates the highly complex and uncertain environment in which current actions are being taken.

The materialisation of a recessionary environment in Europe, particularly if more severe than anticipated, may have multiple effects on the world economy and the behaviour of global capital markets and the performance of the euro area is therefore determinant for the economic development of 2012, while simultaneously being one of the main sources of uncertainty.

In the rest of the world, special importance must be attached, in terms of their importance in determining global economic performance, to the capacity of the US and emerging economies to sustain their growth levels. This is particularly true in relation to countries with the large economies, such as China.

In the US, after a more favourable second semester of 2011 compared to the first, uncertainty remains in the discussion over various fiscal issues on which numerous important decisions are pending, as well as in the sustainability of the re-acceleration of the economy noted since summer, partially based on private consumption exceeding the evolution of household income, resulting on a reduction in savings.

There are signs of moderation in the emerging countries, both in growth and inflation. The slowdown in the developed countries and the cycle of increasing interest rates starting in 2010 by diverse central banks in the emerging bloc contributed towards some decrease in the dynamism of those economies. This, in turn, combined with more moderate prices for the main commodities, led to a deceleration in inflation.

For 2012, and following the process of an alleviation of the monetary conditions already experienced at the end of 2011, the main issues regarding this increasingly important part of the world economy are associated with the management of monetary policy and, notably, the extent to which the economies can be stimulated and, therefore, the authorities' capacity to support growth in a potentially adverse context in the developed bloc.

For Portugal, 2012 will in turn be a particularly difficult year in terms of fiscal consolidation measures, which will keep the domestic economy struggling, with a foreseeable contraction in the economy's various components. This tendency will be offset by the positive contribution of net exports. The interaction between the level of economic activity and fiscal policy and the behaviour of external demand are therefore two areas of uncertainty that should be monitored.

At the same time, and applicable to all western economies, although particularly to European countries such as Portugal which have been more affected by the debt crisis, the evolution of unemployment rates will probably be among the most important issues. In light of the outlook for economic growth, the evolution of the labour market may present one of the risks over the coming quarters.

The banking sector will continue to be affected by the Economic and Financial Assistance Programme and by decisions in the regulation domain. It is important to take into consideration that, in 2012, compliance with the new capitalisation levels and maintenance of the financial system's deleveraging objectives is essential.

Economic activity will also be affected by the uncertainty resulting from the previously indicated diverse risk factors and their diverse implications: first and foremost the performance of the economy and employment, as component parts of the growth of banking operations and credit quality; on the other hand, and partly associated with the former, household decisions on savings from the viewpoint of the evolution in retail resources.

The sector will also be dependent on the markets' response to the environment in Europe, both the economic environment and political decisions to mitigate the effects of the sovereign debt crisis, as well as Portugal's progress in complying with its fiscal adjustments and reform programme. The interpretation of analysts and investors will determine the evolution of asset prices and their volatility and, consequently, the performance of banks' asset portfolios.

Facing the same constraints, banking institutions will be subject to the consequences of changes in the ratings assigned, notably on a level of their possible impact on the value of their collateral or wholesale market funding.

It is also important to take into account the uncertainty over the performance of the European Central Bank over the next twelve months, both as regards the management of traditional monetary policy and the possibility of new unconventional decisions which, in any event, may lead to lower market interest rates and, therefore, net interest income for the banks.

In 2012, insurance operations will be affected by the deepening economic crisis, in the context of the adjustment of accumulating macroeconomic imbalances (especially the external deficit and state budget) and reduced access to credit and the corresponding "deleveraging" of the economy.

In general, this environment will have negative repercussions on insurance, particularly in terms of a reduction in portfolio premiums and increased risk.

## **Interest rate risks**

Investment in Fixed Rate Covered Bonds involves the risk that subsequent changes in market interest rates may adversely affect the value of the Fixed Rate Covered Bonds.

## **Credit ratings may not reflect all risks**

One or more independent credit rating agencies may assign credit ratings to the Covered Bonds. There is no obligation of the Issuer to maintain any rating for itself or for the Covered Bonds. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Covered Bonds. A credit rating is not a recommendation to buy, sell or hold securities and may be lowered, withdrawn or qualified by the rating agency at any time. In case any credit rating initially assigned to the Covered Bonds is subsequently lowered, withdrawn or qualified for any reason, no person will be obliged to provide any credit facilities or credit enhancement to the Issuer for the original rating to be restored, nor will the Issuer have any obligation to restore the original rating. Any such lowering, withdrawal or qualification of a rating may have an adverse effect on the liquidity and market value of the Covered Bonds.

European regulated institutions are in general restricted from using credit ratings for regulatory purposes under Regulation (EC) No. 1060/2009 (as amended by Regulation (EU) No. 513/2011 of the European Parliament and the Council, the “**CRA Regulation**”), unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). Certain information with respect to the credit rating agencies and ratings referred to in this Prospectus and/or the Final Terms will be disclosed in the Final Terms.

## **Legal investment considerations may restrict certain investments**

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Covered Bonds are legal investments for it, (2) Covered Bonds can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Covered Bonds. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Covered Bonds under any applicable risk-based capital or similar rules.

## **Other Risks**

The past performance of Covered Bonds or other mortgage covered securities issued by the Issuer may not be a reliable guide to future performance of the Covered Bonds.

The Covered Bonds may fall as well as rise in value.

Income or gains from Covered Bonds may fluctuate in accordance with market conditions and taxation arrangements.

Where Covered Bonds are denominated in a currency other than the reference currency used by the investor, changes in currency exchange rates may have an adverse effect on the value, price or income of the Covered Bonds.

Other than as set out in this Base Prospectus, it may be difficult for investors in Covered Bonds to sell or realise the Covered Bonds and/or obtain reliable information about their value or the extent of the risks to which they are exposed.

### **Relationship with the Dealers**

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Issuer and their affiliates in the ordinary course of business. In addition, in the ordinary course of their business activities, certain of the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or Issuer's affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Covered Bonds issued under the Programme. Any such short positions could adversely affect future trading prices of Covered Bonds issued under the Programme. Certain of the Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

## DOCUMENTS INCORPORATED BY REFERENCE

The following documents, which have previously been published and have been filed with the CMVM, shall be deemed to be incorporated in, and to form part of, this Base Prospectus:

- (a) the audited consolidated financial statements of the Issuer in respect of the financial years ended 31 December 2010 and 31 December 2011, in each case together with the auditors' reports prepared in connection therewith. The audited non-consolidated annual financial statements of the Issuer for the financial year ended 31 December 2010 and the related auditors' report appear in the annual report of the Issuer for the year ended 31 December 2010 and the audited non-consolidated annual financial statements of the Issuer for the financial year ended 31 December 2011 and the related auditors' report appear in the annual report of the Issuer for the year ended 31 December 2011;
- (b) The unaudited consolidated financial statements and the unaudited consolidated results of the Issuer for the first quarter of 2012, both available at:  
[http://web3.cmvm.pt/sdi2004/emitentes/emit\\_fact.cfm?num\\_ent=%23%224%5BZ%0A](http://web3.cmvm.pt/sdi2004/emitentes/emit_fact.cfm?num_ent=%23%224%5BZ%0A); and
- (c) the by-laws (including an English language translation thereof) of the Issuer;

Following the publication of this Base Prospectus, a supplement may be prepared by the Issuer and approved by the CMVM in accordance with Article 142 do Portuguese Securities Code which implemented Article 16 of the Prospectus Directive. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Base Prospectus or in a document which is incorporated by reference in this Base Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Base Prospectus.

Copies of documents incorporated by reference in this Base Prospectus, in both Portuguese and English language, can be obtained from the registered offices of the Issuer at Av. João XXI, no. 63, 1000-300 Lisboa and from the specified offices of the Agent at Av. João XXI, no. 63, 1000-300 Lisboa and of the Common Representative at Winchester House, 1 Great Winchester Street, London EC2N 2DB, United Kingdom, as well as from the website of the Issuer, being [www.cgd.pt](http://www.cgd.pt).

This Base Prospectus and the documents incorporated by reference, with the exception of the Issuer's by-laws, can be obtained from the website of the CMVM, being [www.cmvm.pt](http://www.cmvm.pt).

The Issuer will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Base Prospectus which is capable of affecting the assessment of any Covered Bonds, prepare a supplement to this Base Prospectus or publish a new Base Prospectus to be used in connection with any subsequent issue of Covered Bonds.

## FORM OF THE COVERED BONDS AND CLEARING SYSTEMS

The Covered Bonds will be held through a central securities depository (“CSD”) which can be either (i) a Portuguese domestic CSD, which will be Interbolsa – Sociedade Gestora de Sistemas de Liquidação e de Sistemas Centralizados de Valores Mobiliários, S.A. as operator of the Central de Valores Mobiliários (“**Interbolsa**”) or (ii) an international CSD, which will be Euroclear Bank S.A./N.V. as operator of the Euroclear System (“**Euroclear**”) and Clearstream Banking, société anonyme (“**Clearstream, Luxembourg**”).

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of Interbolsa, Euroclear or Clearstream, Luxembourg (together, the “Clearing Systems”) currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that the Issuer believes to be reliable, but none of the Arrangers or any Dealer takes any responsibility for the accuracy thereof. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Issuer, the Arrangers or any of the Dealers will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, interests in the Covered Bonds held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such interests.

Interbolsa, Euroclear and Clearstream, Luxembourg each hold securities for its participants and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective participants. Interbolsa, Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of domestically and internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depository and custodial relationships.

Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective participants may settle trades with each other. Euroclear and Clearstream, Luxembourg participants are world-wide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations.

Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions and persons that directly or indirectly through other institutions clear through or maintain a custodial relationship with a participant of either system.

The address of Interbolsa is Avenida da Boavista, 3433, 4100-138 Porto, Portugal, the address of Euroclear is 1 Boulevard Du Roi Albert II, 1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue J.F. Kennedy, 1855 Luxembourg, Luxembourg.

Any reference herein to Interbolsa, Euroclear or Clearstream, Luxembourg shall, wherever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms.

The Covered Bonds have not been and will not be registered under the Securities Act and may not be offered or sold in the United States or to, or for the benefit of, US persons unless an exemption from the registration requirements of the Securities Act is available or in a transaction not subject to the registration requirements of the Securities Act (see *Subscription and Sale* and *Secondary Market Arrangements*). Accordingly, the Covered Bonds will only be issued outside the United States in reliance upon Regulation S under the Securities Act.

### **Covered Bonds held through Interbolsa**

#### ***General***

Interbolsa manages a centralised system (“*sistema centralizado*”) composed by interconnected securities

accounts, through which such securities (and inherent rights) are held and transferred, and which allows Interbolsa to control at all times the amount of securities so held and transferred. Issuers of securities, financial intermediaries, the Bank of Portugal and Interbolsa, as the controlling entity, all participate in such centralised system.

The centralised securities system of Interbolsa provides for all the procedures required for the exercise of ownership rights inherent to the covered bonds held through Interbolsa.

In relation to each issue of securities, Interbolsa's centralised system comprises, *inter alia*, (i) the *issue account*, opened by the relevant issuer in the centralised system and which reflects the full amount of issued securities; and (ii) the *control accounts* opened by each of the financial intermediaries which participate in Interbolsa's centralised system, and which reflect the securities held by such participant on behalf of its customers in accordance with its individual securities accounts.

Covered Bonds held through Interbolsa will be attributed an International Securities Identification Number ("ISIN") code through the codification system of Interbolsa and will be accepted for clearing through LCH.Clearnet, S.A. as well as through the clearing systems operated by Euroclear and Clearstream, Luxembourg and settled by Interbolsa's settlement system. Under the procedures of Interbolsa's settlement system, settlement of trades executed through Euronext Lisbon takes place on the third Business Day after the trade date and is provisional until the financial settlement that takes place at the Bank of Portugal on the settlement date.

#### ***Form of the Covered Bonds held through Interbolsa***

The Covered Bonds of each Series will be in book-entry form and title to the Covered Bonds will be evidenced by book entries in accordance with the provisions of the Portuguese Securities Code and the applicable CMVM regulations. No physical document of title will be issued in respect of Covered Bonds held through Interbolsa. The Covered Bonds may be registered Covered Bonds ("*nominativas*") or bearer Covered Bonds ("*ao portador*"), as specified in the applicable Final Terms.

The Covered Bonds of each Series will be registered in the relevant issue account opened by the Issuer with Interbolsa and will be held in control accounts by each Interbolsa Participant on behalf of the holders of the Covered Bonds. Such control accounts reflect at all times the aggregate of Covered Bonds held in the individual securities accounts opened by the holders of the Covered Bonds with each of the Interbolsa Participants. The expression "**Interbolsa Participant**" means any authorised financial intermediary entitled to hold control accounts with Interbolsa on behalf of their customers and includes any depository banks appointed by Euroclear and Clearstream, Luxembourg for the purpose of holding accounts on behalf of Euroclear and Clearstream, Luxembourg.

Each person shown in the records of an Interbolsa Participant as having an interest in Covered Bonds shall be treated as the holder of the principal amount of the Covered Bonds recorded therein.

#### ***Payment of principal and interest in respect of Covered Bonds held through Interbolsa***

Whilst the Covered Bonds are held through Interbolsa, payment in respect of the Covered Bonds of principal and interest (i) in Euros will be (a) credited, according to the procedures and regulations of Interbolsa, by the relevant Paying Agent (acting on behalf of the Issuer) from the payment current account which the Paying Agent has indicated to, and has been accepted by, Interbolsa to be used on the Paying Agent's behalf for payments in respect of securities held through Interbolsa to the payment current accounts held according to the applicable procedures and regulations of Interbolsa by the Interbolsa Participants whose control accounts with Interbolsa are credited with such Covered Bonds and thereafter (b) credited by such Interbolsa Participants from the aforementioned payment current-accounts to the accounts of the owners of those Covered Bonds or through Euroclear and Clearstream, Luxembourg to the accounts with Euroclear and Clearstream, Luxembourg of the beneficial owners of those Covered Bonds, in accordance with the rules and procedures of Interbolsa, Euroclear or Clearstream, Luxembourg, as the case may be; (ii)



in currencies other than Euros will be (a) transferred, on the payment date and according to the procedures and regulations applicable by Interbolsa, from the account held by the relevant Paying Agent in the Foreign Currency Settlement System (*Sistema de Liquidação em Moeda Estrangeira*), managed by Caixa Geral de Depósitos, S.A., to the relevant accounts of the relevant Interbolsa Participants, and thereafter (b) transferred by such Interbolsa Participants from such relevant accounts to the accounts of the owners of those Covered Bonds or through Euroclear and Clearstream, Luxembourg to the accounts with Euroclear and Clearstream, Luxembourg of the beneficial owners of those Covered Bonds, in accordance with the rules and procedures of Interbolsa, Euroclear or Clearstream, Luxembourg, as the case may be.

The Issuer must provide Interbolsa with a prior notice of all payments in relation to Covered Bonds and all necessary information for that purpose. In particular, such notice must contain:

- (a) the identity of the Paying Agent responsible for the relevant payment; and
- (b) a statement of acceptance of such responsibility by the Paying Agent.

Interbolsa shall notify the Paying Agent of the amounts to be settled, which Interbolsa calculates on the basis of the balances and on the tax rules governing the accounts of the Interbolsa Participants.

In the case of a partial payment, the amount held in the relevant current account of the Paying Agent must be apportioned pro-rata between the accounts of the Interbolsa Participants. After a payment has been processed, such process shall be confirmed to Interbolsa.

#### ***Transfer of Covered Bonds held through Interbolsa***

Covered Bonds held through Interbolsa may, subject to compliance with all applicable rules, restrictions and requirements of Interbolsa and Portuguese law, be transferred to a person who wishes to hold such Covered Bonds. No owner of a Covered Bond will be able to transfer such Covered Bond, except in accordance with Portuguese Law and the applicable procedures of Interbolsa.

#### **Covered Bonds held through Euroclear and/or Clearstream, Luxembourg**

The Covered Bonds of each Series held through Euroclear and/or Clearstream, Luxembourg will be in bearer form, with or without interest coupons attached, or in registered form, without interest coupons attached. The Covered Bonds have not been and will not be registered under the Securities Act and may not be offered or sold in the United States or to, or for the benefit of, US persons unless an exemption from the registration requirements of the Securities Act is available or in a transaction not subject to the registration requirements of the Securities Act (see *Subscription and Sale* and *Secondary Market Arrangements*). Accordingly, the Covered Bonds will only be issued outside the United States in reliance upon Regulation S under the Securities Act.

#### ***Bearer Covered Bonds held through Euroclear and/or Clearstream, Luxembourg***

Each Tranche of Bearer Covered Bonds will be issued in the form of either a temporary bearer global covered bond (a “**Temporary Bearer Global Covered Bond**”) or a permanent bearer global covered bond (a “**Permanent Bearer Global Covered Bond**”) as indicated in the applicable Final Terms, which, in either case, will be delivered, on or prior to the original issue date of such Tranche, to a common depository (the “**Common Depository**”) for Euroclear and/or Clearstream.

Whilst any Bearer Covered Bond is represented by a Temporary Bearer Global Covered Bond and held through Euroclear and/or Clearstream, Luxembourg, payment of principal, interest (if any) and any other amount payable in respect of such Covered Bond due prior to the Exchange Date (as defined below) will be made against presentation of the Temporary Bearer Global Covered Bond only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in such Covered Bond are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, have been received by Euroclear and/or Clearstream, Luxembourg, as applicable, has

given a like certification (based on the certifications it has received) to the Agent.

On or after the date (the “**Exchange Date**”) which is 40 days after a Temporary Bearer Global Covered Bond is issued, interests in such Temporary Bearer Global Covered Bond will be exchangeable (free of charge) as described therein either for (i) interests in a Permanent Bearer Global Covered Bond of the same Series or (ii) for Definitive Covered Bonds in bearer form of the same Series with, where applicable, receipts, interest coupons and talons attached (as indicated in the applicable Final Terms and subject, in the case of Definitive Covered Bonds, to such notice period as is specified in the applicable Final Terms), in each case, against certification of beneficial ownership as described above unless such certification has already been given, provided that purchasers in the United States and certain U.S. persons will not be able to receive Definitive Covered Bonds. The holder of a Temporary Bearer Global Covered Bond will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Bearer Global Covered Bond for an interest in a Permanent Bearer Global Covered Bond or for Definitive Covered Bonds is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a Permanent Bearer Global Covered Bond will be made, according to the applicable legal and regulatory requirement through Euroclear and/or Clearstream, Luxembourg against presentation or surrender, as the case may be, of the Permanent Bearer Global Covered Bond without any requirement for certification.

The applicable Final Terms will specify that a Permanent Bearer Global Covered Bond will be exchangeable (free of charge), in whole but not in part, for definitive securities in bearer form with, where applicable, receipts, interest coupons and talons attached only upon the occurrence of an Exchange Event.

For these purposes, Exchange Event means in the case of the Covered Bonds that the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available. The Issuer will promptly give notice to holders of Covered Bonds in accordance with Condition 11 (*Notices*) of the Terms and Conditions of the Covered Bonds, as the case may be, if an Exchange Event occurs. In the event of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (as the case may be) (acting on the instructions of any holder of an interest in such Permanent Bearer Global Covered Bond) may give notice to the Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Agent.

The following legend will appear on all Covered Bonds and on all receipts and interest coupons relating to such Covered Bonds.

**“ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE  
SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS,  
INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE  
INTERNAL REVENUE CODE.”**

The sections referred to provide that United States holders of Covered Bonds, with certain exceptions, will not be entitled to deduct any loss on Covered Bonds, receipts or interest coupons and will not be entitled to capital gains treatment of any gain on any sale, disposition, redemption or payment of principal in respect of Covered Bonds, receipts or interest coupons.

Covered Bonds in global form will be transferable only in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be. References to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms.

***Registered Covered Bonds held through Euroclear and/or Clearstream, Luxembourg***

The Registered Covered Bonds may be represented by a global security in registered form (a “**Registered**

**Global Covered Bond**”). Prior to the expiry of the Distribution Compliance Period applicable to each Tranche of Covered Bonds, beneficial interests in a Registered Global Covered Bond may not be offered or sold within the United States or to, or for the account or benefit of, a U.S. person and may not be held otherwise than through Euroclear and/or Clearstream, Luxembourg (as applicable) and such Registered Global Covered Bond will bear a legend regarding such restrictions on transfer.

In addition, Covered Bonds in definitive registered form may be privately placed to non-US persons outside the United States on a non-syndicated basis with professional investors only in reliance on Regulation S. Any such issue of Covered Bonds will be evidenced by a single security registered in the name of the holder thereof.

Registered Global Covered Bonds will be deposited with a common depositary for, and registered in the name of a common nominee of Euroclear and Clearstream, Luxembourg. Persons holding beneficial interests in Registered Global Covered Bonds will be required, under the circumstances described below, to receive delivery of Definitive Registered Covered Bonds.

Payments of principal, interest and any other amount in respect of the Registered Global Covered Bonds will, in the absence of provision to the contrary, be made to the person shown on the relevant registration as the registered holder of the Registered Global Covered Bonds. None of the Issuer, any Paying Agent or the Registrar (as defined in *Terms and Conditions*) will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Registered Global Covered Bonds or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Interests in a Registered Global Covered Bond will be exchangeable (free of charge), in whole but not in part, for Definitive Registered Covered Bonds without interest coupons or talons attached only upon the occurrence of an Exchange Event. For these purposes, Exchange Event means that the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no successor clearing system is available. The Issuer will promptly give notice to the holders of the Covered Bond in accordance with Condition 11 (*Notices*) of the Terms and Conditions if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (as the case may be) (acting on the instructions of any holder of an interest in such Registered Global Covered Bond) may give notice to the relevant registration requesting exchange. Any such exchange shall occur not later than 10 days after the date of receipt of the first relevant notice.

***Transfers of Covered Bonds Represented by Global Covered Bonds held through Euroclear and/or Clearstream, Luxembourg***

Interests in a Global Covered Bond may, subject to compliance with all applicable restrictions and requirements, be transferred to a person who wishes to hold such interest in a Global Covered Bond. No beneficial owner of an interest in a Global Covered Bond will be able to transfer such interest, except in accordance with the applicable procedures of Euroclear and Clearstream, Luxembourg, in each case to the extent applicable.

Transfers of any interests in Covered Bonds represented by a Global Covered Bond within Euroclear and Clearstream, Luxembourg (as applicable) will be effected in accordance with the customary rules and operating procedures of the relevant clearing system.

Although Euroclear and Clearstream, Luxembourg have agreed to the foregoing procedures in order to facilitate transfers of beneficial interests in the Covered Bonds among participants and accountholders of Euroclear and Clearstream, Luxembourg, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuer, the Arrangers, the Common Representative or the Agent will have any responsibility for the performance of Euroclear and

Clearstream, Luxembourg or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations.

***Covered Bonds issued in the NGN form***

On 13 June 2006 the European Central Bank (the “**ECB**”) announced that Covered Bonds in NGN form are in compliance with the “Standards for the use of EU securities settlement systems in ESCB credit operations” of the central banking system for the Euro (the “**Eurosystem**”), provided that certain other criteria are fulfilled. At the same time, the ECB also announced that arrangements for Covered Bonds in NGN form will be offered by Euroclear and Clearstream, Luxembourg as of 30 June 2006 and that debt securities in global bearer form issued through Euroclear and Clearstream, Luxembourg after 31 December 2006 will only be eligible as collateral for Eurosystem operations if the NGN form is used.

If the Covered Bonds are stated in the applicable Final Terms to be issued in NGN form, they are intended to be eligible collateral for Eurosystem monetary policy and will be delivered on or prior to the original issue date of the Tranche to a common safekeeper for Euroclear and/or Clearstream (the “**Common Safekeeper**”). Depositing the Covered Bonds with the Common Safekeeper does not necessarily mean that the Covered Bonds will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue, or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.

If the Covered Bond is a NGN, the Issuer shall procure that details of each payment in respect thereof are entered *pro rata* in the records of Euroclear and/or Clearstream and, in the case of principal payments, the nominal amount of the Covered Bonds recorded in the records of Euroclear and/or Clearstream will be reduced accordingly. Each payment so made will discharge the Issuer’s obligations in respect thereof. Any failure to make the entries in the records of the relevant clearing system shall not affect such discharge.

Where the Covered Bond is a NGN, the Issuer shall procure that any exchange, payment, cancellation, exercise of any option or any right under the Covered Bonds, as the case may be, in addition to the circumstances set out above are entered in the records of Euroclear and/or Clearstream and upon any such entry being made, the nominal amount of the Covered Bonds represented by such Global Covered Bond shall be adjusted accordingly.

## FINAL TERMS FOR COVERED BONDS

The form of Final Terms that will be issued in respect of each Tranche of Covered Bonds issued under the Programme, subject only to the deletion of non-applicable provisions, is set out below:

Final Terms dated [●]

### Caixa Geral de Depósitos, S.A.

Issue of [Aggregate Nominal Amount of Tranche] [[●] per cent./Floating Rate/Zero Coupon] Covered Bonds due [●]

under the €15,000,000,000 Covered Bonds Programme

THE COVERED BONDS (AS DESCRIBED HEREIN) ARE MORTGAGE COVERED BONDS ISSUED IN ACCORDANCE WITH DECREE-LAW 59/2006, OF 20 MARCH 2006 (AS AMENDED, THE “**COVERED BONDS LAW**”). THE ISSUER HAS THE CAPACITY TO ISSUE COVERED BONDS IN ACCORDANCE WITH THE COVERED BONDS LAW. THE FINANCIAL OBLIGATIONS OF THE ISSUER UNDER THE COVERED BONDS ARE SECURED ON THE COVER POOL MAINTAINED BY THE ISSUER IN ACCORDANCE WITH THE COVERED BONDS LAW.

This document constitutes the Final Terms relating to the issue of Covered Bonds described herein.

### PART A—CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions of the Covered Bonds (the “**Terms and Conditions**”) set forth in the Base Prospectus dated 23 November 2006, supplemented on 27 June 2007, on 25 January 2008, on 23 July 2009, on 5 January 2010, on 9 June 2010, on 9 September 2010, on 3 March 2011, on 28 September 2011 [and/,] on 27 July 2012 [and on [●]] which constitutes a base prospectus for the purposes of Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 (the “**Prospectus Directive**” as amended (which includes the amendments made by Directive 2010/73/EU to the extent that such amendments have been implemented in a Member State), Commission Regulation (EC) No 809/2004 (the “**Prospectus Regulation**”) and the Portuguese Securities Code (approved by Decree-Law 486/99 of 13 November, the “**Portuguese Securities Code**”). This document constitutes the Final Terms of the Covered Bonds described herein for the purposes of Article 135C.4 of the Portuguese Securities Code, which implemented Article 5.4 of the Prospectus Directive and must be read in conjunction with such Base Prospectus as so supplemented. Full information on the Issuer and the offer of the Covered Bonds is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus as supplemented is available for viewing at Caixa Geral de Depósitos, S.A., Av. João XXI, no. 63, 1000-300, Lisboa, [www.cgd.pt](http://www.cgd.pt) and [www.cmvm.pt](http://www.cmvm.pt) and copies may be obtained from the same addresses.

*The following alternative language applies if the first tranche of an issue which is being increased was issued under the Base Prospectus supplemented on an earlier date.*

Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions of the Covered Bonds (the “**Terms and Conditions**”) set forth in the Base Prospectus dated 23 November 2006, supplemented on 27 June 2007, on 25 January 2008, on 23 July 2009, on 5 January 2010, on 9 June 2010, on 9 September 2010, on 3 March 2011, on 28 September 2011 [and/,] on 27 July 2012 [and on [●]]. This document constitutes the Final Terms of the Covered Bonds described herein for the purposes of Article 135C.4 of the Portuguese Securities Code, which implemented Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus dated 23 November 2006, supplemented on 27 June 2007, on 25 January 2008, on 23 July 2009, on 5 January 2010, on 9 June 2010, on 9 September 2010, on 3 March 2011, on 28 September 2011 [and/,] on 27 July 2012 [and on [●]], which constitutes a base prospectus for the purposes of the Prospectus Directive, save in respect of the Terms and Conditions which are extracted from the Base Prospectus dated 23 November 2006, supplemented on 27 June 2007, on 25

January 2008 , on 23 July 2009, on 5 January 2010, on 9 June 2010, on 9 September 2010, on 3 March 2011, on 28 September 2011 [and/,] on 27 July 2012 [and on [●]] and are attached hereto. Full information on the Issuer and the offer of the Covered Bonds is only available on the basis of the combination of these Final Terms and the Base Prospectus dated 23 November 2006, supplemented on 27 June 2007, on 25 January 2008, on 23 July 2009, on 5 January 2010, on 9 June 2010, on 9 September 2010, on 3 March 2011, on 28 September 2011 [and/,] on 27 July 2012 [and on [●]]. The Base Prospectus is available for viewing at Caixa Geral de Depósitos, S.A., Av. João XXI, no. 63, 1000-300, Lisboa, www.cgd.pt and www.cmvm.pt and copies may be obtained from the same addresses.

*[Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or subparagraphs. Italics denote guidance for completing the Final Terms.]*

*[When completing any final terms, or adding any other final terms or information, consideration should be given as to whether such terms or information constitute “significant new factors” or an amendment to the Terms and Conditions and consequently trigger the need for a supplement to the Base Prospectus under Article 142 of the Portuguese Securities Code which implemented Article 16 of the Prospectus Directive.]*

- |   |   |  |
|---|---|--|
| 1 | Issuer:   | Caixa Geral de Depósitos, S.A.   |
| 2 | (i)Series Number:   | [●]  |
|   | (ii)[Tranche Number:  | [●]  |
|   |   | <i>(If fungible with an existing Series, details of that Series, including the date on which the Covered Bonds become fungible.)</i>   |
| 3 | Specified Currency or Currencies:                                   | [●]  |
| 4 | (i)Aggregate Nominal Amount of Covered Bonds:                       |  |
|   | A.Series:   | [●]  |
|   | B.[Tranche:   | [●]  |
|   | (ii)Specify whether Covered Bonds to be admitted to trading:        | [Yes (if so, specify each Series/Tranche)/No]  |
| 5 | (i)Issue Price:   | [●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] (in the case of fungible issues only, if applicable)]                                    |
|   | (ii)[Net Proceeds (Required only for listed issues)]                | [●]  |
| 6 | Specified Denominations:  | [●] <i>[any Covered Bonds, distributed to the public or admitted to trading on a regulated market, will always be issued in a denomination per unit not lower than €100.000]</i> |
| 7 | (i)Issue Date:  | [●]  |
|   | (ii)[Interest Commencement Date (if different from the Issue Date): | [●]  |

- 8 Maturity Date: *[specify date or (for Floating Rate Covered Bonds) Interest Payment Date falling in or nearest to the relevant month and year]*
- 9 Extended Maturity Date: [Applicable/Not Applicable]  
  
*[insert date] [If applicable, the date should be that falling one year after the Maturity Date. If not applicable, insert ‘Not Applicable’].*  
  
*[Extended Maturity Date must be Applicable to all issues of Covered Bonds, unless, the rating agencies which at the relevant time provide credit ratings for the Programme agree that Extended Maturity Date may be Not Applicable]*
- 10 Interest Basis:
- (i) Period to (and including) Maturity Date: [[●] per cent. Fixed Rate]  
[[specify reference rate] +/- [●] per cent. Floating Rate]  
[Zero Coupon]  
[Index Linked Interest]  
[Other (specify)]  
(further particulars specified below)
- (ii) Period from (but excluding) Maturity Date up to (and including) Extended Maturity Date: [Not Applicable] /  
[[●] per cent. Fixed Rate]  
[[specify reference rate] +/- [●] per cent. Floating Rate]  
[Other (specify)]  
(further particulars specified below)  
*[Insert ‘Not Applicable’ only if Extended Maturity Date does not apply]*
- 11 Redemption/Payment Basis: [Redemption at par]  
[Index Linked Redemption]  
[Instalment]  
[Other (specify)]
- 12 Change of Interest or Redemption/Payment Basis: *[Specify details of any provision for convertibility of Covered Bonds into another interest or redemption/payment basis]*
- 13 Put/Call Options: [Investor Put]  
[Issuer Call]  
[(further particulars specified below)]
- 14 (i) Status of the Covered Bonds: The Covered Bonds will be direct, unconditional and senior obligations of the Issuer and rank equally with all other mortgage covered bonds issued or to be issued by the Issuer. The Covered Bonds will qualify as mortgage covered bonds for the purposes of the Covered Bonds Law.

- (ii)[Date [Board] approval for issuance of Covered Bonds obtained]: [●]
- 15 Method of distribution: [Syndicated/Non-syndicated]
- 16 Listing/Admission to Regulated Market: [Euronext Lisbon/*specify other* /None]

## PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

### 17 Fixed Rate Covered Bonds Provisions

- To Maturity Date: [Applicable/Not Applicable] (If not applicable, delete the remaining subparagraphs of this paragraph)
- From Maturity Date up to Extended Maturity Date: [Applicable/Not Applicable] (If subparagraphs (i) and (ii) not applicable, delete the remaining subparagraphs of this paragraph)  
  
*[State “Not Applicable” unless Extended Maturity Date applies and the Covered Bonds are Fixed Rate Covered Bonds after the Maturity Date.]*
- (i)Rate [(s)] of Interest:
  - To Maturity Date: [●] per cent. per annum [payable [annually/semi-annually/quarterly] in arrear]
  - From Maturity Date up to Extended Maturity Date: [Not Applicable]/ [●] per cent. per annum. [payable[annually/semi annually/quarterly] in arrear]  
*[State “Not Applicable” unless Extended Maturity Date applies and the Covered Bonds are Fixed Rate Covered Bonds after the Maturity Date.]*
- (ii)Interest Payment Date(s):
  - To Maturity Date: [[●] in each year up to and including the Maturity Date / *[specify other]*]
  - From Maturity Date up to Extended Maturity Date: [Not Applicable] [[●] in each month up to and including the Extended Maturity Date]/[specify other]  
  
*[State “Not Applicable” unless Extended Maturity Date applies and the Covered Bonds are Fixed Rate Covered Bonds after the Maturity Date.]*
- (iii)Fixed Coupon Amount [(s)]:
  - To Maturity Date: [[●] per [●] in nominal amount]



•From Maturity Date up to Extended Maturity Date: [Not Applicable] [[●] per [●] in nominal amount] [State “Not Applicable” unless Extended Maturity Date applies and the Covered Bonds are Fixed Rate Covered Bonds after the Maturity Date.]

(iv) Broken Amount:

•To Maturity Date: [Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount [(s)] and the Interest Payment Date(s) to which they relate]

•From Maturity Date up to Extended Maturity Date: [Not Applicable] [Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount [(s)] and the Interest Payment Date(s) to which they relate] [State “Not Applicable” unless Extended Maturity Date applies and the Covered Bonds are Fixed Rate Covered Bonds after the Maturity Date.]

(v) Day Count Fraction:

•To Maturity Date: [30/360 or Actual/Actual (ICMA) or [specify other]

•From Maturity Date up to Extended Maturity Date: [Not Applicable] [30/360 or Actual/Actual (ICMA) or [specify other] [State “Not Applicable” unless Extended Maturity Date applies and the Covered Bonds are Fixed Rate Covered Bonds after the Maturity Date.]

(vi) Determination Date(s):

•To Maturity Date: [Insert day(s) and month(s) on which interest is normally paid (if more than one, then insert such dates in the alternative)] in each year]

•From Maturity Date up to Extended Maturity Date: [Not Applicable] [Insert day(s) and month(s) on which interest is normally paid (if more than one, then insert such dates in the alternative)] in each year [State “Not Applicable” unless Extended Maturity Date applies and the Covered Bonds are Fixed Rate Covered Bonds after the Maturity Date.]

(vii) Other terms relating to the method of calculating interest for Fixed Rate Covered Bonds: [None/give details]

## 18 Floating Rate Covered Bonds Provisions

•To Maturity Date: [Applicable/Not Applicable] (If not applicable, delete the remaining subparagraphs of this paragraph.)

•From Maturity Date up to Extended Maturity Date:

[Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph.)*

*[State “Not Applicable” unless Extended Maturity Date applies and the Covered Bonds are Floating Rate Covered Bonds after the Maturity Date.]*

(i)Specified Period(s)/Specified Interest Payment Dates:

•To Maturity Date:

[●]

•From Maturity Date up to Extended Maturity Date:

[Not Applicable]/[●]

*[State “Not Applicable” unless Extended Maturity Date applies and the Covered Bonds are Floating Rate Covered Bonds after the Maturity Date.]*

(ii)Business Day Convention:

•To Maturity Date:

[Floating Rate Convention/ Following Business Day Convention/ Modified Following Business Day Convention/Preceding Business Day Convention/other *(give details)*]

•From Maturity Date up to Extended Maturity Date:

[Not Applicable]/[Floating Rate Convention/ Following Business Day Convention/ Modified Following Business Day Convention/Preceding Business Day Convention/other *(give details)*]  
*[State “Not Applicable” unless Extended Maturity Date applies and the Covered Bonds are Floating Rate Covered Bonds after the Maturity Date.]*

(iii)Additional Business Centre(s):

•To Maturity Date:

[●]

•From Maturity Date up to Extended Maturity Date:

[Not Applicable]/ [●]  
*[State “Not Applicable” unless Extended Maturity Date applies and the Covered Bonds are Floating Rate Covered Bonds after the Maturity Date.]*

(iv)Manner in which the Rate of Interest and Interest Amount is to be determined:

•To Maturity Date:

[Screen Rate Determination/ISDA Determination/other *(give details)*]

•From Maturity Date up to Extended Maturity Date:

[Not Applicable]/ [Screen Rate Determination/ISDA Determination/other *(give details)*]  
*[State “Not Applicable” unless Extended Maturity Date applies and the Covered Bonds are Floating Rate Covered Bonds after the Maturity Date.]*

(v) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Calculation Agent):

- To Maturity Date: [●]
- From Maturity Date up to Extended Maturity Date: [Not Applicable]/ [●]  
*[State "Not Applicable" unless Extended Maturity Date applies and the Covered Bonds are Floating Rate Covered Bonds after the Maturity Date.]*

(vi) Screen Rate Determination:

A. To Maturity Date:

- Reference Rate: [●]
- Interest Determination Date: [●] *(Second London business day prior to start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day of on which the TARGET System is open prior to the start of each Interest Period if Euribor or euro LIBOR)*
- Relevant Screen Page: [●] *(in the case of Euribor, if not Telerate page 248 ensure it is a page which shows a composite rate or amend the fallback provisions accordingly)*

B. From Maturity Date up to Extended Maturity Date:

- [Not Applicable]  
*[State "Not Applicable" unless Extended Maturity Date applies and the Covered Bonds are Floating Rate Covered Bonds after the Maturity Date.]*
- Reference Rate: [●]
- Interest Determination Date: [●] *(Second London business day prior to start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day of on which the TARGET System is open prior to the start of each Interest Period if Euribor or euro LIBOR)*
- Relevant Screen Page: [●] *(in the case of Euribor, if not Telerate page 248 ensure it is a page which shows a composite rate or amend the fallback provisions accordingly)*

(vii) ISDA Determination:

A. To Maturity Date:

- Floating Rate Option: [●]
- Designated Maturity: [●]
- Reset Date: [●]

B.From Maturity Date up to Extended Maturity Date:	[Not Applicable] [State “Not Applicable” unless Extended Maturity Date applies and the Covered Bonds are Floating Rate Covered Bonds after the Maturity Date.]
•Floating Rate Option:	[●]
•Designated Maturity:	[●]
•Reset Date:	[●]
(viii)Margin(s):	
•To Maturity Date:	[+/-] [●] per cent. per annum
•From Maturity Date up to Extended Maturity Date:	[Not Applicable]/ [+/-] [●] per cent. per annum [State “Not Applicable” unless Extended Maturity Date applies and the Covered Bonds are Floating Rate Covered Bonds after the Maturity Date.]
(ix)Minimum Rate of Interest:	
•To Maturity Date:	[●] per cent. per annum
•From Maturity Date up to Extended Maturity Date:	[Not Applicable]/ [●] per cent. per annum [State “Not Applicable” unless Extended Maturity Date applies and the Covered Bonds are Floating Rate Covered Bonds after the Maturity Date.]
(x)Maximum Rate of Interest:	
•To Maturity Date	[●] per cent. per annum
•From Maturity Date up to Extended Maturity Date:	[Not Applicable]/ [●] per cent. per annum [State “Not Applicable” unless Extended Maturity Date applies and the Covered Bonds are Floating Rate Covered Bonds after the Maturity Date.]
(xi)Day Count Fraction:	
•To Maturity Date	[Actual/365 Actual/365 (Fixed) Actual/365 (Sterling) Actual/360 30/360 30E/360 Other] (see Condition 4 ( <i>Interest</i> ) for alternatives)

<p>•From Maturity Date up to Extended Maturity Date:</p> <p>(xii)Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Covered Bonds, if different from those set out in the Terms and Conditions:</p>	<p>[Not Applicable]/ [Actual/365 Actual/365 (Fixed) Actual/365 (Sterling) Actual/360 30/360 30E/360 Other] (see Condition 4 (<i>Interest</i>) for alternatives) [State “<i>Not Applicable</i>” unless <i>Extended Maturity Date applies and the Covered Bonds are Floating Rate Covered Bonds after the Maturity Date.</i>]</p>
<p>•To Maturity Date</p> <p>•From Maturity Date up to Extended Maturity Date:</p>	<p>[●]</p> <p>[Not Applicable]/ [●] [State “<i>Not Applicable</i>” unless <i>Extended Maturity Date applies and the Covered Bonds are Floating Rate Covered Bonds after the Maturity Date.</i>]</p>
<p>19 Index Linked Covered Bonds Provisions</p>	
<p>•To Maturity Date:</p> <p>•From Maturity Date up to Extended Maturity Date:</p>	<p>[Applicable/Not Applicable] (<i>If not applicable, delete the remaining subparagraphs of this paragraph</i>)</p> <p>[Applicable/Not Applicable]/ [●] [State “<i>Not Applicable</i>” unless <i>Extended Maturity Date applies and the Covered Bonds are Index Linked Covered Bonds after the Maturity Date.</i>]</p>
<p>(i)Index/Formula:</p>	
<p>•To Maturity Date:</p> <p>•From Maturity Date up to Extended Maturity Date:</p>	<p>[Give or annex details]</p> <p>[Not Applicable/Give or annex details] [State “<i>Not Applicable</i>” unless <i>Extended Maturity Date applies and the Covered Bonds are Index Linked Covered Bonds after the Maturity Date.</i>]</p>
<p>(ii)Calculation Agent responsible for calculating the interest due:</p>	
<p>•To Maturity Date:</p> <p>•From Maturity Date up to Extended Maturity Date:</p>	<p>[●]</p> <p>[Not Applicable/[●]] [State “<i>Not Applicable</i>” unless <i>Extended Maturity Date applies and the Covered Bonds are Index Linked Covered Bonds after the Maturity Date.</i>]</p>

(iii)Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable:

•To Maturity Date: [●]

•From Maturity Date up to Extended Maturity Date: [Not Applicable/[●]]  
[State “Not Applicable” unless Extended Maturity Date applies and the Covered Bonds are Index Linked Covered Bonds after the Maturity Date.]

(iv)Specified Period(s):

•To Maturity Date: [●]

•From Maturity Date up to Extended Maturity Date: [Not Applicable/[●]]  
[State “Not Applicable” unless Extended Maturity Date applies and the Covered Bonds are Index Linked Covered Bonds after the Maturity Date.]

(v)Specified Interest Payment Dates:

•To Maturity Date: [●]

•From Maturity Date up to Extended Maturity Date: [Not Applicable/[●]]  
[State “Not Applicable” unless Extended Maturity Date applies and the Covered Bonds are Index Linked Covered Bonds after the Maturity Date.]

(vi)Business Day Convention:

•To Maturity Date: [Floating Rate Convention/ Following Business Day Convention/ Modified Following Business Day Convention/Preceding Business Day Convention/other (give details)]

•From Maturity Date up to Extended Maturity Date: [Not Applicable/Floating Rate Convention/ Following Business Day Convention/ Modified Following Business Day Convention/Preceding Business Day Convention/other (give details)]  
[State “Not Applicable” unless Extended Maturity Date applies and the Covered Bonds are Index Linked Covered Bonds after the Maturity Date.]

(vii)Additional Business Centre(s)

•To Maturity Date: [●]

•From Maturity Date up to Extended Maturity Date: [Not Applicable/[●]]  
[State “Not Applicable” unless Extended Maturity Date applies and the Covered Bonds are Index Linked Covered Bonds after the Maturity Date.]

(viii)Minimum Rate of Interest:

	•To Maturity Date:	[●] per cent. per annum
	•From Maturity Date up to Extended Maturity Date:	[Not Applicable/[●] per cent. per annum] [State “Not Applicable” unless Extended Maturity Date applies and the Covered Bonds are Index Linked Covered Bonds after the Maturity Date.]
	(ix)Maximum Rate of Interest	
	•To Maturity Date:	[●] per cent. per annum
	•From Maturity Date up to Extended Maturity Date:	[Not Applicable/[●] per cent. per annum] [State “Not Applicable” unless Extended Maturity Date applies and the Covered Bonds are Index Linked Covered Bonds after the Maturity Date.]
	(x)Day Count Fraction:	
	•To Maturity Date:	[●]
	•From Maturity Date up to Extended Maturity Date:	[Not Applicable/[●]] [State “Not Applicable” unless Extended Maturity Date applies and the Covered Bonds are Index Linked Covered Bonds after the Maturity Date.]
20	Zero Coupon Covered Bonds Provisions	[Applicable/Not Applicable] (If not applicable, delete the remaining subparagraphs of this paragraph)
	(i)Accrual Yield:	[●] per cent. per annum
	(ii)Reference Price:	[●]
	(iii)Any other formula/basis of determining amount payable:	[●]
	(iv)Day Count Fraction in relation to late payment:	[Condition 5.5 applies/specify other] (consider applicable day count fraction if not U.S. dollar denominated)

## PROVISIONS RELATING TO REDEMPTION

21	<b>Call Option</b>	[Applicable/Not Applicable] (If not applicable, delete the remaining subparagraphs of this paragraph)
	(i)Optional Redemption Date(s):	[●]
	(ii)Optional Redemption Amount(s) of each Covered Bond and method, if any, of calculation of such amount(s):	[●] per Covered Bond of [●] Specified Denomination
	(iii)If redeemable in part:	
	(a)Minimum Redemption Amount:	[●]

	(b)Maximum Redemption Amount:	[●]
	(iv)Notice period (if other than as set out in the Terms and Conditions):	[●](NB—If setting notice periods which are different to those provided in the Terms and Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent)
22	Put Option	[Applicable/Not Applicable] (If not applicable, delete the remaining subparagraphs of this paragraph)
	(i)Optional Redemption Date(s):	[●]
	(ii)Optional Redemption Amount(s) of each Covered Bond and method, if any, of calculation of such amount(s):	[●] per Covered Bond of [●] Specified Denomination
	(iii)Notice period:	[●] (NB—If setting notice periods which are different to those provided in the Terms and Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent)
23	Final Redemption Amount of each Covered Bond:	[[●] per Covered Bond of [●] Specified Denomination/Other/See Appendix]
24	[Early Redemption Amount of each Covered Bond payable on an event of default and/or the method of calculating the same (if required or if different from that set out in Condition 6 ( <i>Redemption and Purchase</i> ))]	[Applicable/Not Applicable]

## GENERAL PROVISIONS APPLICABLE TO THE COVERED BONDS

25	Form of Covered Bonds:	[Bearer Covered Bonds/Exchangeable Bearer Covered Bonds/Registered Covered Bonds] [Delete as appropriate]
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		[Temporary Global Covered Bond/Certificate exchangeable for a permanent Global Covered Bond/ Certificate which is exchangeable for Definitive Covered Bonds/Certificates on [●] days' notice/at any time/in the limited circumstances specified in the permanent Global Covered Bond/Certificate] [Temporary Global Covered Bond/Certificate exchangeable for Definitive Covered Bonds/ Certificates on [●] days' notice] [Permanent Global Covered Bond/Certificate exchangeable for Definitive Covered Bonds/ Certificates on [●] days' notice/at any time/in the limited circumstances specified in the Permanent Global Covered Bond/ Certificate]
26	Additional Financial Centre(s) or other special provisions relating to Payment Dates:	[Not Applicable/give details] <i>(Note that this item relates to the place of payment and not Interest Period end dates to which item 17 (iii) relates)</i>
27	Talons for future Coupons or Receipts to be attached to Definitive Covered Bonds (and dates on which such Talons mature):	[Yes/No. If yes, give details]
28	Details relating to Partly Paid Covered Bonds: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Covered Bonds and interest due on late payment:	[Not Applicable/give details]
29	Details relating to Instalment Covered Bonds:	
	(i) Instalment Amount(s):	[Not Applicable/give details]
	(ii) Instalment Date(s):	[Not Applicable/give details]
30	Redenomination applicable:	[Applicable/Not Applicable] <i>(if Redenomination is applicable, specify the terms of the redenomination in an Annex to the Final Terms)</i>
31	Other final terms:	[Not Applicable/give details] <i>(When adding on any other final terms consideration should be given as to whether such terms constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)</i>

## DISTRIBUTION

- |    |  |   |
|----|--|---|
| 32 | (i) If syndicated, names of Dealers:                                       | [Not Applicable/ <i>give names and date of relevant agreement</i> ] |
|    | (ii) Stabilising Manager (if any):   | [Not Applicable/ <i>give names</i> ]                                |
|    | (iii) Commission Payable / Selling Concession:                             | [●]   |
| 33 | If non-syndicated, name of relevant Dealer:                                | [Not Applicable/ <i>give name and date of relevant agreement</i> ]  |
| 34 | Whether TEFRA D or TEFRA C rules applicable or TEFRA rules not applicable: | [TEFRA D/TEFRA C/TEFRA not applicable]]                             |
| 35 | Additional selling restrictions:   | [Not Applicable/ <i>give details</i> ]                              |

## LISTING AND ADMISSION TO TRADING APPLICATION

These Final Terms comprise the final terms required to list the issue of the Covered Bonds described herein pursuant to the €15,000,000,000 Covered Bonds Programme of Caixa Geral de Depósitos, S.A.

## RESPONSIBILITY

The Issuer accepts responsibility for the information contained in these Final Terms. [●] has been extracted from [●]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [●], no facts have been omitted which would render the reproduced information inaccurate or misleading.

Signed on behalf of the Issuer:

By:  
Duly authorised

## PART B – OTHER INFORMATION

### 1. Listing

- (i) Listing: [Euronext Lisbon/other (specify)/None]
- (ii) Admission to trading: [Application has been made for the Covered Bonds to be admitted to trading on [Euronext Lisbon/other (specify)/None] with effect from [●].] [Not Applicable.]  
*(Where documenting a fungible issue need to indicate that original securities are already admitted to trading.)*
- (iii) Estimate of total expenses related to admission to trading: [●]

### 2. Ratings

- Ratings: The Covered Bonds to be issued have been rated:  
[S & P: [●]]  
[Moody's: [●]]  
[Fitch: [●]]

*(The above disclosure should reflect the rating allocated to Covered Bonds of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)*

*[[Insert credit rating agency] is established in the European Union and has applied for registration under Regulation (EC) no. 1060/2009, although notification of the corresponding registration decision has not yet been provided by the relevant competent authority.]*

*[[Insert credit rating agency] is established in the European Union and is registered under Regulation (EC) no. 1060/2009.]*

*[[Insert credit rating agency] is not established in the European Union and is not registered in accordance with Regulation (EC) no. 1060/2009.]*

*[[Insert credit rating agency] is not established in the European Union and has not applied for registration under Regulation (EC) no. 1060/2009. However, the application for registration under Regulation (EC) no. 1060/2009 of [insert the name of the relevant EU CRA affiliate that applied for registration], which is established in the European Union, disclosed the intention to endorse credit ratings of [insert credit rating agency].]*

*[[Insert credit rating agency] is not established in the European Union and has not applied for registration under Regulation (EC) no. 1060/2009. The ratings [[have been]/[are expected to be]] endorsed by [insert the name of the relevant EU-registered credit rating agency] in accordance with Regulation (EC) no. 1060/2009. [Insert the name of the relevant EU-registered credit rating agency] is established in the European Union and registered under Regulation (EC) no. 1060/2009.]*

*[[Insert credit rating agency] is not established in the European Union and has not applied for registration under Regulation (EC) no. 1060/2009, but it is certified in accordance with such Regulation.]*

### **3. [Notification]**

The CMVM [has been requested to provide/has provided —include first alternative for an issue which is contemporaneous with the establishment or supplement of the Programme and the second alternative for subsequent issues] the [include names of competent authorities of host Member States] with a

certificate of approval attesting that the Base Prospectus has been drawn up in accordance with the Prospectus Directive.]

#### 4. [Interests of Natural and Legal Persons Involved in the [Issue/Offer]

*Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement:*

“Save as discussed in [“Subscription and Sale”], so far as the Issuer is aware, no person involved in the offer of the Covered Bonds has an interest material to the offer.”—*amend as appropriate if there are other interests*]

#### 5. Reasons for the Offer, Estimated Net Proceeds and Total Expenses

[(i)]Reasons for the offer:

[●]

*(SEE USE OF PROCEEDS] WORDING IN BASE PROSPECTUS—IF REASONS FOR OFFER DIFFERENT FROM MAKING PROFIT AND/OR HEDGING CERTAIN RISKS WILL NEED TO INCLUDE THOSE REASONS HERE.)]*

[(ii)]Estimated net proceeds:

[●]

*(If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.)*

[(iii)]Estimated total expenses:

[●]

#### 6. [YIELD—Fixed Rate Covered Bonds only]

Indication of yield:

[●]

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

#### 7. Operational Information

ISIN Code:

[●]

Common Code:

[●]

Any clearing system(s) other than Interbolsa —  
Sociedade Gestora de Sistemas de Liquidação e de  
Sistemas Centralizados de Valores Mobiliários,  
S.A. as operator of the *Central de Valores  
Mobiliários*, Euroclear Bank S.A./N.V. as operator  
of the Euroclear System and Clearstream Banking.  
société anonyme and the relevant identification  
number(s):

[Not Applicable/give *name(s)* and *number(s)*]

Delivery:

Delivery [against/free of] payment

Names and addresses of additional Paying Agent(s)  
(if any):

[●]

[Intended to be held in a manner which would allow  
Eurosystem eligibility:]

[Yes][No]

[Note that the designation “yes” simply means that the Covered Bonds are intended upon issue to be (i) deposited with one of Euroclear and/or Clearstream Luxembourg as common safekeeper, or (ii) registered with Interbolsa – Sociedade Gestora de Sistemas de Liquidação e de Sistemas Centralizados de Valores Mobiliários, S.A. in its capacity as a securities settlement system, and does not necessarily mean that the Covered Bonds will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.] *[Include this text if “yes” selected in which case, if intended upon issue to be deposited with one of Euroclear and/or Clearstream Luxembourg as common safekeeper, the Covered Bonds must be issued in NGN form.]*

## TERMS AND CONDITIONS OF THE COVERED BONDS

*The following are the Terms and Conditions of the Covered Bonds which will be incorporated by reference into, or endorsed upon, each Global Covered Bond (as defined below) and each Definitive Covered Bond (if applicable), in the latter case only if permitted by the relevant stock exchange (if any) and agreed by the Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such Definitive Covered Bond will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Final Terms in relation to any Tranche of Covered Bonds may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Covered Bonds. In the event that the Final Terms replace or modify the following Terms and Conditions, such amendment shall be made by means of a supplement to the Base Prospectus under Article 142 of the Portuguese Securities Code which implemented Article 16 of the Prospectus Directive. The applicable Final Terms (or the relevant provisions thereof) will be incorporated by reference or endorsed upon, or attached to, each Covered Bond. Reference should be made to ‘Final Terms for Covered Bonds’ for a description of the content of Final Terms which will specify which of such terms are to apply in relation to the relevant Covered Bonds.*

**THE COVERED BONDS (AS DEFINED IN THESE TERMS AND CONDITIONS) ARE MORTGAGE COVERED BONDS (“OBRIGAÇÕES HIPOTECÁRIAS”) ISSUED IN ACCORDANCE WITH THE COVERED BONDS LAW (AS DEFINED). THE ISSUER (AS DEFINED IN THESE TERMS AND CONDITIONS) IS A CREDIT INSTITUTION WITH THE CAPACITY TO ISSUE COVERED BONDS PURSUANT TO THE COVERED BONDS LAW. THE FINANCIAL OBLIGATIONS OF THE ISSUER UNDER THE COVERED BONDS LAW ARE SECURED ON THE ASSETS THAT COMPRISE THE COVER POOL (AS DEFINED BELOW) MAINTAINED BY THE ISSUER IN ACCORDANCE WITH THE COVERED BONDS LAW.**

This Covered Bond is one of a Series (as defined below) of mortgage covered bonds issued by Caixa Geral de Depósitos, S.A. (the “**Issuer**”) in accordance with the procedures set out in the Agency and Payments Procedures (as defined below).

Depending on the Clearing System through which the Covered Bonds are held (as specified in the applicable Final Terms), references herein to the Covered Bonds shall be references to the Covered Bonds of this Series and shall mean:

- (i) whilst the Covered Bonds are held through Interbolsa, the book-entries corresponding to the units of the lowest Specified Denomination in the Specified Currency;
- (ii) in relation to any Covered Bonds represented by a global Covered Bond (a “**Global Covered Bond**”), units of the lowest Specified Denomination in the Specified Currency;
- (iii) any Global Covered Bond;
- (iv) any Definitive Covered Bonds in bearer form (“**Definitive Bearer Covered Bond**”) issued in exchange for a Global Covered Bond in bearer form; and
- (v) any Definitive Covered Bond in registered form (“**Definitive Registered Covered Bond**”), whether or not in exchange for a Global Covered Bond in registered form.

The Covered Bonds have the benefit of a set of agency and payments procedures (such agency and payments procedures as amended and/or supplemented and/or restated from time to time, the “**Agency and Payments Procedures**”) dated 23 November 2006 and made and agreed by Caixa Geral de Depósitos, S.A. (acting in its capacity as Agent, which expression shall include any successor) and by any subsequent agent, paying agent, transfer agent, agent bank and/or registrar appointed by the Issuer.

Interest bearing Definitive Bearer Covered Bonds have interest coupons (“**Coupons**”) and, if indicated in the applicable Final Terms, talons for further Coupons (“**Talon**”) attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to

Talons or talons. Definitive Bearer Covered Bonds repayable in instalments have receipts (“**Receipts**”) for the payment of the instalments of principal (other than the final instalment) attached on issue. Registered Covered Bonds and Global Covered Bonds do not have Coupons, Receipts or Talons attached on issue.

Any reference to “**holders of Covered Bonds**” shall mean (in the case of Bearer Covered Bonds) the holders of such Covered Bonds and (in the case of Registered Covered Bonds) the persons in whose name the Covered Bonds are registered and shall, in relation to any Covered Bonds represented by a Global Covered Bond, be construed as provided below. In the case of Covered Bonds held through Interbolsa, “holder of covered Bonds” shall mean the person or entity registered as such in the relevant securities’ account. Any reference herein to “**Receiptholders**” shall mean the holders of Receipts. Any reference herein to “**Couponholders**” shall mean the holders of the Coupons and shall, unless the context otherwise requires, include the holders of the Talons.

As used herein, Tranche means Covered Bonds which are identical in all respects (including as to listing) and Series means a Tranche of Covered Bonds together with any further Tranche or Tranches of Covered Bonds which are (i) expressed to be consolidated and form a single series and (ii) identical in all respects (including as to listing) except for their respective Issue Dates, Interest Commencement Dates, interest rates and/or Issue Prices.

Copies of the Agency and Payments Procedures are available for inspection during normal business hours at the specified office of each of the Paying Agents and the Registrar (such Paying Agents and the Registrar being together referred to as the “**Agents**”). Copies of the applicable Final Terms are obtainable at the CMVM’s website - [www.cmvm.pt](http://www.cmvm.pt) – and during normal business hours at the specified office of each of the Agents save that, if these Covered Bonds are unlisted, the applicable Final Terms will only be obtainable at the specified office of each of the Agents by a holder holding one or more unlisted Covered Bonds, such holder must produce evidence satisfactory to the Issuer and the relevant Agent as to its holding of such Covered Bonds and identity. The Covered Bonds holders, the Receiptholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Agency and Payments Procedures and the applicable Final Terms which are applicable to them. The statements in these Terms and Conditions include summaries of, and are subject to, the detailed provisions of the Agency and Payments Procedures.

Words and expressions defined in the Agency and Payments Procedures or used in the applicable Final Terms shall have the same meanings where used in these Terms and Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Agency and Payments Procedures and the applicable Final Terms, the applicable Final Terms will prevail.

As used herein, outstanding means in relation to the Covered Bonds all the Covered Bonds issued other than:

- (a) those Covered Bonds which have been redeemed and cancelled pursuant to these Terms and Conditions;
- (b) those Covered Bonds in respect of which the date for redemption under these Terms and Conditions has occurred and the redemption moneys (including all interest (if any) accrued to the date for redemption and any interest (if any) payable under these Terms and Conditions after that date) have been duly paid to or to the order of the Agent in the manner provided in the Agency and Payments Procedures (and, where appropriate, notice to that effect has been given to the Covered Bonds holders in accordance with these Terms and Conditions) and remain available for payment against presentation of the relevant Covered Bonds and/or Receipts and/or Coupons as applicable;
- (c) those Covered Bonds which have been purchased and cancelled under these Terms and Conditions;
- (d) those Covered Bonds which have become prescribed under these Terms and Conditions;
- (e) those mutilated or defaced Covered Bonds which have been surrendered and cancelled and in respect



of which replacements have been issued pursuant to these Terms and Conditions;

- (f) (for the purpose only of ascertaining the principal amount of the Covered Bonds outstanding and without prejudice to the status for any other purpose of the relevant Covered Bonds) those Covered Bonds which are alleged to have been lost, stolen or destroyed and in respect of which replacements have been issued under these Terms and Conditions;
- (g) (if applicable) a Temporary Global Covered Bond to the extent that it has been duly exchanged for the relevant Permanent Global Covered Bond and a Permanent Global Covered Bond to the extent that it has been exchanged for the Definitive Bearer Covered Bond in each case under its provisions; and
- (h) (if applicable) any Registered Global Covered Bond to the extent that it has been exchanged for Definitive Registered Covered Bonds and any Definitive Registered Covered Bond to the extent that it has been exchanged for an interest in a Registered Global Covered Bond.

## **1. FORM, DENOMINATION AND TITLE**

The Covered Bonds are in bearer or in registered form as specified in the applicable Final Terms and, in the case of Definitive Covered Bonds, serially numbered, in the Specified Currency and the Specified Denomination(s). Covered Bonds of one Specified Denomination may not be exchanged for Covered Bonds of another Specified Denomination and Bearer Covered Bonds may not be exchanged for Registered Covered Bonds and *vice versa*.

The Covered Bonds held through Interbolsa will be in book-entry form and title to the Covered Bonds will be evidenced by book entries in accordance with the provisions of Portuguese Securities Code and the applicable CMVM regulations. No physical document of title will be issued in respect of the Covered Bonds. Each person shown in the records of an Interbolsa Participant as having an interest in Covered Bonds shall be treated as the holder of the principal amount of the Covered Bonds recorded therein.

For so long as any of the Covered Bonds is represented by a Global Covered Bond held on behalf of Euroclear and/or Clearstream, Luxembourg, each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Covered Bonds (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Covered Bonds standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest or proven error) shall be treated by the Issuer and the Agents as the holder of such nominal amount of Covered Bonds for all purposes (subject to Condition 2 (*Transfers of Covered Bonds*)) other than with respect to the payment of principal or interest on such nominal amount of Covered Bonds, for which purpose the bearer of the relevant Bearer Global Covered Bond or the registered holder of the relevant Registered Global Covered Bond shall be treated by the Issuer and any Agent as the holder of such nominal amount of such Covered Bonds in accordance with and subject to the terms of the relevant Global Covered Bond. References to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms.

Interest-bearing Definitive Bearer Covered Bonds have (unless otherwise indicated in the applicable Final Terms) Coupons.

This Covered Bond may be a Fixed Rate Covered Bond, a Floating Rate Covered Bond, a Zero Coupon Covered Bond, an Index Linked Interest Covered Bond, an Index Linked Redemption Covered Bond or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms.

Terms applicable to other types and structures of Covered Bonds that the Issuer and any Dealer(s) may agree to issue under the Programme will be set out in the applicable Final Terms.

Where the applicable Final Terms specifies that an Extended Maturity Date applies to a Series of Covered Bonds, those Covered Bonds may be Fixed Rate Covered Bonds, Floating Rate Covered Bonds or Index Linked Covered Bonds in respect of the period from the Issue Date to and including the Maturity Date and Fixed Rate Covered Bonds, Floating Rate Covered Bonds or Index Linked Covered Bonds in respect of the period from the Maturity Date up to and including the Extended Maturity Date, subject as specified in the applicable Final Terms.

This Covered Bond may be an Instalment Covered Bond depending upon the Redemption/Payment Basis shown in the applicable Final Terms.

The Covered Bonds to be issued on or after the date hereof will be issued in denomination per unit equal to or higher than €1,000 (or its equivalent in another currency) as specified in the relevant Final Terms, provided that any Covered Bonds, distributed to the public or admitted to trading on a regulated market, will always be issued in a denomination per unit not lower than €100.000.

Subject as set out below, title to the Bearer Covered Bonds, Receipts and Coupons will pass by delivery and title to Registered Covered Bonds will pass upon registration of transfers in accordance with the provisions of the Agency and Payments Procedures. The Issuer, the Paying Agents and the Common Representative will (except as otherwise required by law) deem and treat the bearer of any Bearer Covered Bond, Receipt or Coupon and the registered holder of any Registered Covered Bond as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Covered Bond, without prejudice to the provisions set out in the next succeeding paragraph.

## **2. TRANSFERS OF COVERED BONDS**

The transferability of the Covered Bonds is not restricted.

Covered Bonds held through Interbolsa may, subject to compliance with all applicable rules, restrictions and requirements of Interbolsa and Portuguese law, be transferred to a person who wishes to hold such Covered Bond. No owner of a Covered Bond will be able to transfer such Covered Bond, except in accordance with Portuguese Law and with the applicable procedures of Interbolsa.

Whilst the Covered Bonds are held through Euroclear and/or Clearstream, Luxembourg, interests in a Global Covered Bond may, subject to compliance with all applicable restrictions and requirements, be transferred to a person who wishes to hold such interest in a Global Covered Bond. No beneficial owner of an interest in a Global Covered Bond will be able to transfer such interest, except in accordance with the applicable procedures of Euroclear and Clearstream, Luxembourg, in each case to the extent applicable. Transfers of any interests in Covered Bonds represented by a Global Covered Bond within Euroclear and Clearstream, Luxembourg will be effected in accordance with the customary rules and operating procedures of the relevant clearing system.

Any reference herein to Interbolsa, Euroclear or Clearstream, Luxembourg shall, wherever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms. The holders of Covered Bonds will not be required to bear the costs and expenses of effecting any registration of transfer as provided above, except for any costs or expenses of delivery other than by regular uninsured mail and except that the Issuer may require the payment of a sum sufficient to cover any stamp duty, tax or other governmental charge that may be imposed in relation to the registration.

## **3. STATUS OF THE COVERED BONDS**

The Covered Bonds, any interest thereon and any relative Coupons, if applicable, constitute direct, unconditional, unsubordinated and secured obligations of the Issuer and rank *pari passu* without any preference among themselves. The Covered Bonds are mortgage covered securities issued in accordance with the Covered Bonds Law, which are secured by the Cover Pool maintained by the Issuer in accordance with the terms of the Covered Bonds Law, and rank *pari passu* with all other obligations of the Issuer under

mortgage covered securities issued or to be issued by the Issuer pursuant to the Covered Bonds Law.

#### 4. INTEREST

##### 4.1 Interest on Fixed Rate Covered Bonds

Each Fixed Rate Covered Bond bears interest on its Principal Amount Outstanding from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Subject as provided in Condition 4.4, interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date (as specified in the relevant Final Terms).

Except as provided in the applicable Final Terms, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Final Terms, amount to the Broken Amount so specified.

As used in these Terms and Conditions, “**Fixed Interest Period**” means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

If interest is required to be calculated for a period other than a Fixed Interest Period, such interest shall be calculated by applying the Rate of Interest to each Specified Denomination, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

“**Day Count Fraction**” means, in respect of the calculation of an amount of interest in accordance with this Condition 4.1:

- (i) if “**Actual/Actual (ICMA)**” is specified in the applicable Final Terms:
  - (a) in the case of Covered Bonds where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the “**Accrual Period**”) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or
  - (b) in the case of Covered Bonds where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
    - 1. the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
    - 2. the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
- (ii) if “**30/360**” is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.

##### 4.1.6 In these Terms and Conditions:

- (i) “**Determination Period**” means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date); and
- (ii) “**Principal Amount Outstanding**” means in respect of a Covered Bond the principal amount of that Covered Bond on the relevant Issue Date thereof less principal amounts received by the relevant holder of the Covered Bond in respect thereof; and
- (iii) “**sub-unit**” means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, one cent..

## 4.2 Interest on Floating Rate Covered Bonds and Index Linked Interest Covered Bonds

### (A) Interest Payment Dates

Each Floating Rate Covered Bond and Index Linked Interest Covered Bond (as specified in the applicable Final Terms) bears interest on its Principal Amount Outstanding from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

- (i) the Specified Interest Payment Date(s) in each year specified in the applicable Final Terms; or
- (ii) if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each such date, together with each Specified Interest Payment Date, an “**Interest Payment Date**”) which falls the number of months or other period specified as the Specified Period in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period (which expression shall, in these Terms and Conditions, mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date).

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

- (i) in any case where Specified Periods are specified in accordance with Condition 4.2.(ii) above, the Floating Rate Convention (as specified in the applicable Final Terms), such Interest Payment Date (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (B) below shall apply *mutatis mutandis* or (ii) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (A) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (B) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or
- (ii) the Following Business Day Convention (as specified in the applicable Final Terms), such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (iii) the Modified Following Business Day Convention (as specified in the applicable Final Terms), such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (iv) the Preceding Business Day Convention (as specified in the applicable Final Terms), such Interest

Payment Date shall be brought forward to the immediately preceding Business Day.

In these Terms and Conditions, “**Business Day**” means a day which is both:

- (i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and Lisbon and any Additional Business Centre(s) specified in the applicable Final Terms; and
- (ii) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than London and Lisbon and any Additional Business Centre(s)) and which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively or (2) in relation to any sum payable in euro, a day on which the TARGET System is open.

(B) *Rate of Interest*

*Floating Rate Covered Bonds*

The Rate of Interest payable from time to time in respect of Floating Rate Covered Bonds will be determined in the manner specified in the applicable Final Terms.

- (i) *ISDA Determination for Floating Rate Covered Bonds:* Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this subparagraph, “**ISDA Rate**” for an Interest Period means a rate equal to the Floating Rate that would be determined by the Agent or other person specified in the applicable Final Terms under an interest rate swap transaction if the Agent or that other person were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Covered Bonds (the “**ISDA Definitions**”) and under which:
  - 1. the Floating Rate Option is as specified in the applicable Final Terms;
  - 2. the Designated Maturity is the period specified in the applicable Final Terms; and
  - 3. the relevant Reset Date is either (A) if the applicable Floating Rate Option is based on the London inter-bank offered rate (LIBOR) or the Euro-zone inter-bank offered rate (EURIBOR) for a currency, the first day of that Interest Period, or (B) in any other case, as specified in the applicable Final Terms.

For the purposes of this sub-paragraph 4.2.(B), “**Floating Rate**”, “**Calculation Agent**”, “**Floating Rate Option**”, “**Designated Maturity**” and “**Reset Date**” have the meanings given to those terms in the ISDA Definitions.

- (ii) *Screen Rate Determination for Floating Rate Covered Bonds:* Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:
  - 1. the offered quotation (if there is only one quotation on the Relevant Screen Page); or
  - 2. the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,  
  
(expressed as a percentage rate per annum) for the Reference Rate which appears or appear,

as the case may be, on the Relevant Screen Page as at 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Agent or, where the applicable Final Terms specifies a Calculation Agent, the Calculation Agent so specified. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Agent for the purpose of determining the arithmetic mean (rounded as provided above) or, as applicable, the relevant Calculation Agent, of such offered quotations.

The Agency and Payments Procedures contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of (i) above, no such offered quotation appears or, in the case of (ii) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

If the Reference Rate from time to time in respect of Floating Rate Covered Bonds is specified in the applicable Final Terms as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Covered Bonds will be determined as provided in the applicable Final Terms.

#### *Index Linked Interest Covered Bonds*

The Rate of Interest in respect of Index Linked Interest Covered Bonds for each Interest Accrual Period (as specified in the applicable Final Terms) shall be determined in the manner specified hereon and interest will accrue by reference to an Index or Formula as specified hereon.

#### *(C) Minimum Rate of Interest and/or Maximum Rate of Interest*

If the applicable Final Terms specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph 4.2 above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Final Terms specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph 4.2 above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

#### *(D) Determination of Rate of Interest and calculation of Interest Amounts*

The Agent or, where the applicable Final Terms specifies a Calculation Agent, the Calculation Agent so specified, will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period.

The Agent or, where the applicable Final Terms specifies a Calculation Agent, the Calculation Agent so specified, will calculate the amount of interest payable on the Floating Rate Covered Bonds or Index Linked Interest Covered Bonds in respect of each Specified Denomination (each an “**Interest Amount**”) for the relevant Interest Period. Each Interest Amount shall be calculated by applying the Rate of Interest to each Specified Denomination, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

“**Day Count Fraction**” means, in respect of the calculation of an amount of interest for any Interest Period:

- (i) if “**Actual/365**” or “**Actual/Actual**” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (ii) if “**Actual/365 (Fixed)**” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;
- (iii) if “**Actual/365 (Sterling)**” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (iv) if “**Actual/360**” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;
- (v) if “**30/360**”, “**360/360**” or “**Bond Basis**” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (a) the last day of the Interest Period is the 31st day of a month but the first day of the Interest Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (b) the last day of the Interest Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month)); and
- (vi) if “**30E/360**” or “**Eurobond Basis**” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Interest Period unless, in the case of the final Interest Period, the Maturity Date is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month).

*(E) Notification of Rate of Interest and Interest Amounts*

The Agent, or where the applicable Final Terms specifies a Calculation Agent for this purpose, the Calculation Agent so specified, will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and to any Stock Exchange or other relevant competent listing authority or quotation system on which the relevant Floating Rate Covered Bonds are for the time being listed, quoted and/or traded and notice thereof to be published in accordance with Condition 11 (*Notices*) as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. Any such amendment or alternative arrangements will be promptly notified to the Common Representative and each Stock Exchange or other relevant authority on which the relevant Floating Rate Covered Bonds or Index Linked Interest Covered Bonds are for the time being listed or by which they have been admitted to listing and to the holders of Covered Bonds in accordance with Condition 11 (*Notices*). For the purposes of this paragraph, the expression “**London Business Day**” means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.

*(F) Certificates to be final*

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 4.2, whether by the Agent or the Calculation Agent (if applicable) shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Agent, the other Paying Agents, any Calculation Agent, the Common

Representative and all holders of Covered Bonds and (in the absence of wilful default or bad faith) no liability to the Issuer, any Calculation Agent, the holders of Covered Bonds shall attach to the Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

#### **4.3 Accrual of interest**

Subject as provided in Condition 4.4, interest (if any) will cease to accrue on each Covered Bond (or in the case of the redemption of part only of a Covered Bond, that part only of such Covered Bond) on the due date for redemption thereof unless, upon due presentation, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until (i) the date on which all amounts due in respect of such Covered Bond have been paid; and (ii) five days after the date on which the full amount of the moneys payable in respect of such Covered Bond has been received by the Agent or the Registrar, as the case may be, and notice to that effect has been given to the holders of Covered Bonds in accordance with Condition 11 (*Notices*).

#### **4.4 Interest Rate and Payments from the Maturity Date in the event of extension of maturity of the Covered Bonds up to the Extended Maturity Date**

(A) If an Extended Maturity Date is specified in the applicable Final Terms as applying to a Series of Covered Bonds and the maturity of those Covered Bonds is extended beyond the Maturity Date in accordance with Condition 6.8, the Covered Bonds shall bear interest from (and including) the Maturity Date to (but excluding) the earlier of the relevant Interest Payment Date after the Maturity Date on which the Covered Bonds are redeemed in full or the Extended Maturity Date, subject to Condition 4.3. In that event, interest shall be payable on those Covered Bonds at the rate determined in accordance with Condition 4.4(B) on the principal amount outstanding of the Covered Bonds in arrear on the Interest Payment Date in each month after the Maturity Date in respect of the Interest Period ending immediately prior to the relevant Interest Payment Date, subject as otherwise provided in the applicable Final Terms. The final Interest Payment Date shall fall no later than the Extended Maturity Date.

(B) If an Extended Maturity Date is specified in the applicable Final Terms as applying to a Series of Covered Bonds and the maturity of those Covered Bonds is extended beyond the Maturity Date in accordance with Condition 6.8, the rate of interest payable from time to time in respect of the principal amount outstanding of the Covered Bonds on each Interest Payment Date after the Maturity Date in respect of the Interest Period ending immediately prior to the relevant Interest Payment Date will be as specified in the applicable Final Terms and, where applicable, determined by the Agent or, where the applicable Final Terms specifies a Calculation Agent, the Calculation Agent so specified, two Business Days after the Maturity Date in respect of the first such Interest Period and thereafter as specified in the applicable Final Terms.

(C) In the case of Covered Bonds which are Zero Coupon Covered Bonds up to (and including) the Maturity Date and for which an Extended Maturity Date is specified under the applicable Final Terms, for the purposes of this Condition 4.4 the principal amount outstanding shall be the total amount otherwise payable by the Issuer on the Maturity Date less any payments made by the Issuer in respect of such amount in accordance with these Conditions.

(D) This Condition 4.4 shall only apply to Covered Bonds to which an Extended Maturity Date is specified in the applicable Final Terms and if the Issuer fails to redeem those Covered Bonds (in full) on the Maturity Date (or within two Business Days thereafter) and the maturity of those Covered Bonds is automatically extended up to the Extended Maturity Date in accordance with Condition 6.8.

### **5. PAYMENTS**

#### **5.1 Method of payment**

Subject as provided below:



- (i) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency (which, in the case of a payment in Japanese yen to a non-resident of Japan, shall be a non-resident account) maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney or Auckland, respectively);
- (ii) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque; and
- (iii) payments in US dollars will be made by a transfer to a US dollar account maintained by the payee with a bank outside the United States (which expression as used in this Condition 5 (*Payments*), means the United States of America including the State, and District of Columbia, its territories, its possessions and other areas subject to its jurisdiction or by cheque drawn on a US bank. In no event will payment be made by a cheque mailed to an address in the United States. All payments of interest will be made to accounts outside the United States except as may be permitted by United States tax law in effect at the time of such payment without detriment to the Issuer.

Payments will be subject in all cases to any Clearing System regulations, fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 7 (*Taxation*).

## **5.2 Payments in relation to Covered Bonds held through Interbolsa**

Payments of principal and interest in respect of Covered Bonds held through Interbolsa may only be made in euro or in such other currencies accepted by Interbolsa for registration and clearing.

Whilst the Covered Bonds are held through Interbolsa, payment in respect of the Covered Bonds of principal and interest (i) in Euros will be (a) credited, according to the procedures and regulations of Interbolsa, by the Paying Agent (acting on behalf of the Issuer) from the payment current account which the Paying Agent has indicated to, and has been accepted by, Interbolsa to be used on the Paying Agent's behalf for payments in respect of securities held through Interbolsa to the payment current accounts held according to the applicable procedures and regulations of Interbolsa by the Interbolsa Participants whose control accounts with Interbolsa are credited with such Covered Bonds and thereafter (b) credited by such Interbolsa Participants from the aforementioned payment current-accounts to the accounts of the owners of those Covered Bonds or through Euroclear and Clearstream, Luxembourg to the accounts with Euroclear and Clearstream, Luxembourg of the beneficial owners of those Covered Bonds, in accordance with the rules and procedures of Interbolsa, Euroclear or Clearstream, Luxembourg, as the case may be; (ii) in currencies other than Euros will be (a) transferred, on the payment date and according to the procedures and regulations applicable by Interbolsa, from the account held by the relevant Paying Agent in the Foreign Currency Settlement System (*Sistema de Liquidação em Moeda Estrangeira*), managed by Caixa Geral de Depósitos, S.A., to the relevant accounts of the relevant Interbolsa Participants, and thereafter (b) transferred by such Interbolsa Participants from such relevant accounts to the accounts of the owners of those Covered Bonds or through Euroclear and Clearstream, Luxembourg to the accounts with Euroclear and Clearstream, Luxembourg of the beneficial owners of those Covered Bonds, in accordance with the rules and procedures of Interbolsa, Euroclear or Clearstream, Luxembourg, as the case may be.

## **5.3 Presentation of Definitive Bearer Covered Bonds and Coupons**

(A) Payments of principal in respect of Definitive Bearer Covered Bonds will (subject as provided below) be made in the manner provided in Condition 5.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Definitive Bearer Covered Bonds, and payments of interest in respect of Definitive Bearer Covered Bonds will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due,

endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction)).

(B) Payments of instalments of principal (if any) in respect of Definitive Bearer Covered Bonds, other than the final instalment, will (subject as provided below) be made in the manner provided in Condition 5.1 above against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Receipt in accordance with the preceding paragraph. Payment of the final instalment will be made in the manner provided in Condition 5.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Bearer Covered Bond in accordance with the preceding paragraph. Each Receipt must be presented for payment of the relevant instalment together with the Definitive Bearer Covered Bond to which it appertains. Receipts presented without the Definitive Bearer Covered Bond to which they appertain do not constitute valid obligations of the Issuer. Upon the date on which any Definitive Bearer Covered Bond becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

(C) Fixed Rate Covered Bonds in definitive bearer form should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 12 years after the Relevant Date (as defined in Condition 8 (*Prescription*)) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 8 (*Prescription*)). Upon the date on which any Fixed Rate Covered Bond in definitive bearer form becomes due and repayable, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

(D) Upon the date on which any Floating Rate Covered Bond or Index Linked Interest Covered Bonds in definitive bearer form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof.

(E) If the due date for redemption of any Definitive Bearer Covered Bond is not an Interest Payment Date, interest (if any) accrued in respect of such Covered Bond from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant Definitive Bearer Covered Bond.

#### **5.4 Payments in respect of Bearer Global Covered Bonds held through Euroclear and/or Clearstream, Luxembourg**

Except if otherwise specified in the applicable Final terms, payments of principal and interest (if any) in respect of Covered Bonds represented by any Global Covered Bond in bearer form held through Euroclear or Clearstream, Luxembourg (as the case may be) will (subject as provided below) be made in the manner specified above in relation to Definitive Bearer Covered Bonds and otherwise in the manner specified in the relevant Global Covered Bond against presentation or surrender, as the case may be, of such Global Covered Bond at the specified office of any Paying Agent outside the United States. A record of each payment made against presentation or surrender of any Global Covered Bond in bearer form, distinguishing between any payment of principal and any payment of interest, will be made on such Global Covered Bond by the Paying Agent to which it was presented and such record shall be prima facie evidence that the payment in question has been made.

## **5.5 Payments in respect of Registered Covered Bonds held through Euroclear and/or Clearstream, Luxembourg**

(A) Payments of principal in respect of each Registered Covered Bond (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Registered Covered Bond at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Registered Covered Bond appearing in the register of holders of the Registered Covered Bonds maintained by the Registrar (the Register) at the close of business on the third business day (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) before the relevant due date. Notwithstanding the previous sentence, if (i) a holder does not have a Designated Account or (ii) the principal amount of the Covered Bonds held by a holder is less than €250,000 (or its approximate equivalent in any other Specified Currency), payment will instead be made by a cheque in the Specified Currency drawn on a Designated Bank (as defined below). For these purposes, Designated Account means the account (which, in the case of a payment in Japanese yen to a non-resident of Japan, shall be a non-resident account) maintained by a holder with a Designated Bank and identified as such in the Register and Designated Bank means (in the case of payment in a Specified Currency other than euro) a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney or Auckland, respectively) and (in the case of a payment in euro) any bank which processes payments in euro.

(B) Payments of interest in respect of each Registered Covered Bond (whether or not in global form) will be made by a cheque in the Specified Currency drawn on a Designated Bank and mailed by uninsured mail on the business day in the city where the specified office of the Registrar is located immediately preceding the relevant due date to the holder (or the first named of joint holders) of the Registered Covered Bond appearing in the Register at the close of business on the fifteenth day (whether or not such fifteenth day is a business day) before the relevant due date (the Record Date) at his address shown in the Register on the Record Date and at his risk. Upon application of the holder to the specified office of the Registrar not less than three business days in the city where the specified office of the Registrar is located before the due date for any payment of interest in respect of a Registered Covered Bond, the payment may be made by transfer on the due date in the manner provided in the preceding paragraph. Any such application for transfer shall be deemed to relate to all future payments of interest (other than interest due on redemption) in respect of the Registered Covered Bonds which become payable to the holder who has made the initial application until such time as the Registrar is notified in writing to the contrary by such holder. Payment of the interest due in respect of each Registered Covered Bond on redemption will be made in the same manner as payment of the principal amount of such Registered Covered Bond.

(C) Holders of Registered Covered Bonds will not be entitled to any interest or other payment for any delay in receiving any amount due in respect of any Registered Covered Bond as a result of a cheque posted in accordance with this Condition arriving after the due date for payment or being lost in the post. No commissions or expenses shall be charged to such holders by the Registrar in respect of any payments of principal or interest in respect of the Registered Covered Bonds.

(D) None of the Issuer or the Agents will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Registered Global Covered Bonds or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

## **5.6 Payment Day**

If the date for payment of any amount in respect of any Covered Bond or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes,

Payment Day means any day which (subject to Condition 8 (*Prescription*)) is a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:

- (A) the relevant place of presentation; or
- (B) (i) any Additional Financial Centre specified in the applicable Final Terms; and (ii) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than the place of presentation and any Additional Financial Centre and which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney or Auckland, respectively) or (2) in relation to any sum payable in euro, a day on which the TARGET System is open,

provided that, in relation to payments made in respect of Covered Bonds held through Interbolsa, such a day shall be a business day for the purposes of the centralised system operated by Interbolsa (as defined by a notice of Interbolsa, according to which such a business day corresponds to a day on which the TARGET system is open).

## **5.7 Interpretation of principal**

Any reference in these Terms and Conditions to principal in respect of the Covered Bonds shall be deemed to include, as applicable:

- (i) the Final Redemption Amount of the Covered Bonds;
- (ii) the Optional Redemption Amount(s) (if any) of the Covered Bonds;
- (iii) in relation to Covered Bonds redeemable in instalments, the Instalment Amounts (as specified in the applicable Final Terms); and
- (iv) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Covered Bonds.

## **6. REDEMPTION AND PURCHASE**

### **6.1 Final redemption**

Subject to Condition 6.8, unless previously redeemed or purchased and cancelled or extended as specified below, each Covered Bond will be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the applicable Final Terms, in the relevant Specified Currency on the Maturity Date.

### **6.2 Redemption at the option of the Issuer (Call Option)**

If Issuer Call Option is specified in the applicable Final Terms, the Issuer may, having given (unless otherwise specified, in the applicable Final Terms) not less than 30 nor more than 60 days' notice to the Common Representative, the Agent and, in accordance with Condition 11 (*Notices*), the holders of Covered Bonds (which notice shall be irrevocable) redeem all or some only (as specified in the applicable Final Terms) of the Covered Bonds then outstanding on any Optional Redemption Date(s) and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Final Terms together, if applicable, with interest accrued to (but excluding) the relevant Optional Redemption Date(s). Upon expiry of such notice, the Issuer shall be bound to redeem the Covered Bonds accordingly. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount in each case as may be specified in the applicable Final Terms. In the case of a partial redemption of Covered Bonds, either (whilst the Covered Bonds are held through

Interbolsa) the nominal amount of all outstanding Covered Bonds will be redeemed proportionally or (whilst the Covered Bonds are held through Euroclear and/or Clearstream, Luxembourg) the Covered Bonds to be redeemed (the “**Redeemed Covered Bonds**”) will be selected individually in accordance with the rules of the relevant Clearing Systems not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the Selection Date).

### **6.3 Redemption at the option of the holders of Covered Bonds (Put Option)**

If Investor Put Option is specified in the applicable Final Terms, upon the holder of any Covered Bond giving to the Issuer in accordance with Condition 11 (*Notices*) not less than 30 nor more than 60 days’ notice the Issuer will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the applicable Final Terms, such Covered Bond on the Optional Redemption Date and at the Optional Redemption Amount as specified in, or determined in the manner specified in, the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date. To exercise the right to require redemption of this Covered Bond the holder of this Covered Bond must deliver, at the specified office of any Paying Agent (in the case of Covered Bonds held through Interbolsa and in the case of Bearer Covered Bonds) or the Registrar (in the case of Registered Covered Bonds) at any time during normal business hours of such Paying Agent or, as the case may be, the Registrar falling within the notice period, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent or, as the case may be, the Registrar (a Put Notice) and in which the holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition and, in the case of Registered Covered Bonds, the nominal amount thereof to be redeemed and, if less than the full nominal amount of the Registered Covered Bonds so surrendered is to be redeemed, an address to which a new Registered Covered Bond in respect of the balance of such Registered Covered Bonds is to be sent subject to and in accordance with the provisions of Condition 2 (*Transfers of Covered Bonds*). If this Covered Bond is in definitive form, the Put Notice must be accompanied by this Covered Bond or evidence satisfactory to the Paying Agent concerned that this Covered Bond will, following delivery of the Put Notice, be held to its order or under its control. If this Covered Bond is represented by a Global Covered Bond or is in definitive form and held through Euroclear or Clearstream, Luxembourg, as the case may be, to exercise the right to require redemption of this Covered Bond the holder of this Covered Bond must, within the notice period, give notice to the Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg, as applicable (which may include notice being given on his instruction by Euroclear or Clearstream, Luxembourg or any common depositary for them to the Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time and, if this Covered Bond represented by a Covered Bond, at the same time present or procure the presentation of the relevant Global Covered Bond to the Agent for notation accordingly. Any Put Notice given by a holder of any Covered Bond pursuant to this paragraph shall be irrevocable. If the Covered Bonds are held through Interbolsa, the right to require redemption will be exercised directly against the Issuer, through the relevant Paying Agent.

### **6.4 Instalments**

Instalment Covered Bonds will be redeemed in the Instalment Amounts and on the Instalment Dates.

### **6.5 Purchases**

The Issuer or any of its subsidiaries may at any time purchase or otherwise acquire Covered Bonds (provided that, in the case of Definitive Covered Bonds, all unmatured Receipts, Coupons or Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. Such Covered Bonds may be held, reissued, resold or, at the option of the Issuer, surrendered to any Paying Agent and/or Registrar for cancellation.

## 6.6 Cancellation

All Covered Bonds which are redeemed will forthwith be cancelled (together – if applicable – with all unmatured Coupons, Receipts and Talons attached thereto or surrendered therewith at the time of redemption). All Covered Bonds so cancelled and any Covered Bonds purchased and surrendered for cancellation pursuant to Condition 6.5 above (together with all unmatured Coupons, Receipts and Talons cancelled therewith) shall be cancelled by Interbolsa or the Agent (as applicable) and cannot be held, reissued or resold.

## 6.7 Late payment on Zero Coupon Covered Bonds

If the amount payable in respect of any Zero Coupon Covered Bond to which Condition 6.8 does not apply, upon redemption of such Zero Coupon Covered Bond pursuant to paragraph 6.1, 6.2 or 6.3 above or upon its becoming due and repayable as provided in Condition 9 (*Events of Default*) is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Covered Bond shall be the amount calculated according to the following formula:

$$RP \times (1 + AY)^y$$

where:

**RP** means the Reference Price; and

**AY** means the Accrual Yield expressed as a decimal; and

**y** is a fraction, the denominator of which is 360 and the numerator of which is equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Covered Bonds to (but excluding) the date which is the earlier of:

- (i) the date on which all amounts due in respect of such Zero Coupon Covered Bond have been paid; and
- (ii) the date on which the full amount of the moneys payable in respect of such Zero Coupon Covered Bonds has been received by the Agent and notice to that effect has been given to the holders of Covered Bonds either in accordance with Condition 11 (*Notices*) or individually.

## 6.8 Extension of Maturity up to Extended Maturity Date

(A) An Extended Maturity Date shall be specified in the applicable Final Terms as applying to each Series of Covered Bonds unless the rating provided by the rating agencies appointed by the Issuer at the relevant time in respect of the Programme is adversely affected by such Extended Maturity provisions.

(B) If an Extended Maturity Date is specified in the applicable Final Terms as applying to a Series of Covered Bonds and the Issuer fails to redeem all of those Covered Bonds in full on the Maturity Date or within two Business Days thereafter, the maturity of the Covered Bonds and the date on which such Covered Bonds will be due and repayable for the purposes of these Terms and Conditions will be automatically extended up to but no later than the Extended Maturity Date, subject as otherwise provided for in the applicable Final Terms. In that event, the Issuer may redeem all or any part of the principal amount outstanding of the Covered Bonds on an Interest Payment Date falling in any month after the Maturity Date up to and including the Extended Maturity Date or as otherwise provided for in the applicable Final Terms. The Issuer shall give to the holders of Covered Bonds (in accordance with Condition 11(*Notices*)), the Agent and the other Paying Agents, notice of its intention to redeem all or any of the principal amount outstanding of the Covered Bonds in full at least five Business Days prior to the relevant Interest Payment Date or, as applicable, the Extended Maturity Date. Any failure by the Issuer to notify such persons shall not affect the validity or effectiveness of any redemption by the Issuer on the relevant Interest Payment Date or as applicable, the Extended Maturity Date or give rise to rights in any such person.

(C) In the case of Covered Bonds which are Zero Coupon Covered Bonds up to (and including) the Maturity Date to which an Extended Maturity Date is specified under the applicable Final Terms, for the purposes of this Condition 6.8 the principal amount outstanding shall be the total amount otherwise payable by the Issuer on the Maturity Date less any payments made by the Issuer in respect of such amount in accordance with these Terms and Conditions.

(D) Any extension of the maturity of Covered Bonds under this Condition 6.8 shall be irrevocable. Where this Condition 6.8 applies, any failure to redeem the Covered Bonds on the Maturity Date or any extension of the maturity of Covered Bonds under this Condition 6.8 shall not constitute an event of default for any purpose or give any holder of Covered Bonds any right to receive any payment of interest, principal or otherwise on the relevant Covered Bonds other than as expressly set out in these Terms and Conditions.

(E) In the event of the extension of the maturity of Covered Bonds under this Condition 6.8, interest rates, interest periods and interest payment dates on the Covered Bonds from (and including) the Maturity Date to (but excluding) the Extended Maturity Date shall be determined and made in accordance with the applicable Final Terms and Condition 4.4.

(F) If the Issuer redeems part and not all of the principal amount outstanding of Covered Bonds on an Interest Payment Date falling in any month after the Maturity Date, the redemption proceeds shall be applied rateably across the Covered Bonds and the principal amount outstanding on the Covered Bonds shall be reduced by the level of that redemption.

(G) If the maturity of any Covered Bonds is extended up to the Extended Maturity Date in accordance with this Condition 6.8, subject to otherwise provided for in the applicable Final Terms, for so long as any of those Covered Bonds remains in issue, the Issuer shall not issue any further mortgage covered bonds, unless the proceeds of issue of such further mortgage covered securities are applied by the Issuer on issue in redeeming in whole or in part the relevant Covered Bonds in accordance with the terms hereof.

(H) This Condition 6.8 shall only apply to Covered Bonds to which an Extended Maturity Date is specified in the applicable Final Terms and if the Issuer fails to redeem those Covered Bonds in full on the Maturity Date (or within two Business Days thereafter).

## **7. TAXATION**

### **7.1. Payments free of taxes**

All payments of principal and interest in respect of the Covered Bonds (and Coupons, if applicable) shall be made free and clear of, and without withholding or deduction for, any Taxes (for which purpose investors are required in any case to comply with their obligations detailed under the *Taxation* section) unless the Issuer or any Paying Agent (as the case may be) is required by law to make any such payment subject to any such withholding or deduction. In that event, the Issuer or any Paying Agent (as the case may be) shall be entitled to withhold or deduct the required amount for or on account of Tax from such payment and shall account to the relevant Tax Authorities for the amount so withheld or deducted.

### **7.2 No payment of additional amounts**

Neither the Issuer nor the Paying Agent will be obliged to pay any additional amounts to the holders of Covered Bonds in respect of any Tax Deduction made in accordance with Condition 7.1 above.

### **7.3 Taxing Jurisdiction**

If the Issuer becomes subject at any time to any taxing jurisdiction other than the Republic of Portugal, references in these Terms and Conditions to the Republic of Portugal shall be construed as references to the Republic of Portugal and/or such other jurisdiction.

#### **7.4 Tax Deduction not Event of Default**

Notwithstanding that the Issuer or any Paying Agent is required to make a Tax Deduction in accordance with Condition 7.1 above, this shall not constitute an Event of Default.

#### **8. PRESCRIPTION**

The Covered Bonds will become void unless presented for payment within 20 years (in the case of principal) and 5 years (in the case of interest) in each case from the Relevant Date therefore, subject in each case to the provisions of Condition 5 (*Payments*). As used in these Terms and Conditions, “Relevant Date” means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Agent or the Registrar, as the case may be, on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the holders of Covered Bonds in accordance with Condition 11 (*Notices*).

#### **9. EVENTS OF DEFAULT AND ENFORCEMENT**

##### **9.1 Insolvency Event**

Pursuant to the Covered Bonds Law, if an Insolvency Event in respect of the Issuer occurs, the holders of Covered Bonds may approve a Resolution, by a majority of 2/3 of the Principal Amount Outstanding of the Covered Bonds of all Series then outstanding, to determine the serving of an Acceleration Notice, in which case all outstanding Covered Bonds shall immediately become due and payable at their Early Redemption Amount together with accrued interest.

For the purposes of these Terms and Conditions: “**Insolvency Event**” means the winding-up and dissolution of the Issuer under any applicable laws and regulations (including under Decree-Law no. 199/2006 of 25 October, Decree-law no. 298/92 of 31 December 1992 and/or (if applicable) under the Code for the Insolvency and Recovery of Companies introduced by Decree-law no. 53/2004 of 18 March 2004). Investors should see the *Insolvency of the Issuer* section.

##### **9.2 Enforcement**

(A) Following the approval of a Resolution as described in Condition 9.1, the holders of the Covered Bonds (or the Common Representative on their behalf, provided it has been indemnified and/or secured to its satisfaction) may at any time after service of an Acceleration Notice, at its discretion and without further notice, take such proceedings against the Issuer, and/or any other person as it may deem fit to enforce the provisions of the Covered Bonds.

(B) In exercising any of its powers and discretions the Common Representative shall only have regard to the interests of the holders of Covered Bonds of all Series.

(C) No holder of Covered Bonds shall be entitled to proceed directly against the Issuer or to take any action with respect to the Common Representative Appointment Agreement, the Covered Bonds or any other Programme Documents unless the Common Representative, having become bound so to proceed, fails so to do within a reasonable time and such failure shall be continuing.

#### **10. AGENT, PAYING AGENTS AND REGISTRAR**

(A) The names of the Agent, the Paying Agent and the initial Registrar (only applicable whilst the Covered Bonds are held through Euroclear and/or Clearstream, Luxembourg) and their initial specified offices are set out below. In the event of the appointed office of any such bank being unable or unwilling to continue to act as the Agent, or failing duly to determine the Rate of Interest, if applicable, or to calculate the Interest Amounts for any Interest Period, the Issuer shall appoint such other bank to act as such in its place.

(B) The Agent may not resign its duties or be removed from office without a successor having been



appointed as aforesaid. The Issuer is entitled to vary or terminate the appointment of any Paying Agent or the Registrar and/or appoint additional or other Paying Agents or the Registrar and/or approve any change in the specified office through which any Paying Agent or the Registrar acts, provided that:

- (i) there will at all times be an Agent and, in the case of Registered Covered Bonds held through Euroclear and/or Clearstream, Luxembourg, a Registrar;
- (ii) the Issuer will, so long as any of the Covered Bonds is outstanding, maintain a Paying Agent (which may be the Agent) having a specified office in a city approved by the Common Representative in continental Europe;
- (iii) so long as any of the Covered Bonds are listed on any Stock Exchange or admitted to trading by any other relevant authority, there will at all times be a Paying Agent with a specified office in such place as may be required by the rules and regulations of the relevant Stock Exchange or as the case may be, other relevant authority;
- (iv) the Issuer will ensure that it maintains a Paying Agent in a Member State of the EU that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other Directive or any law implementing or complying with, or introduced in order to conform to such Directive.

## **11. NOTICES**

Notices to the holders of Covered Bonds shall be valid, so long as the Covered Bonds are listed on Euronext Lisbon and the rules of Euronext so require, if published on the Euronext bulletin and/or on the CMVM's information system. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made, as provided above. While the Covered Bonds are deposited with a common depositary for Euroclear and Clearstream, Luxembourg, notices to the holders of the Covered Bonds may be given by delivery of the relevant notice to Euroclear and Clearstream, Luxembourg and, in any such case, such notices shall be deemed to have been given to the holders of the Covered Bonds on the date of delivery to Euroclear and Clearstream, Luxembourg.

All notices regarding the Covered Bonds shall comply with the applicable Portuguese law requirements, namely CMVM Regulation. 5/2008, as amended.

## **12. MEETINGS OF HOLDERS OF COVERED BONDS**

(A) The Portuguese Companies Code contains provisions for convening meetings of the holders of Covered Bonds to consider any matter attributed to them by law and in their common interest (which provisions are described and supplemented in the Common Representative Appointment Agreement), including the modification by Resolution of these Terms and Conditions or the provisions of the Common Representative Appointment Agreement.

(B) The quorum at any meeting convened to vote on: (i) a Resolution not regarding a Reserved Matter will be any person or persons holding or representing whatever the Principal Amount Outstanding of the Covered Bonds then outstanding; or (ii) a Resolution regarding a Reserved Matter of the Covered Bonds, will be any person or persons holding or representing at least 50 per cent. of the Principal Amount Outstanding of the Covered Bonds then outstanding so held or represented or, at any adjourned meeting, any person being or representing whatever the Principal Amount Outstanding of the Covered Bonds then outstanding. Each Covered Bond grants its holder one vote. For the sake of clarity, in relation to any Covered Bonds represented by a Global Covered Bond, each unit of the lowest Specified Denomination in the Specified Currency shall grant one vote.

(C) The majorities required to approve a Resolution at any meeting convened in accordance with the applicable rules shall be: (i) if in respect to a Resolution not regarding a Reserved Matter, the majority of

the votes cast at the relevant meeting; or (ii) if in respect to a Resolution regarding a Reserved Matter, at least 50 per cent. of the Principal Amount Outstanding of the Covered Bonds then outstanding or, at any adjourned meeting 2/3 of the votes cast at the relevant meeting.

For the purposes of these Terms and Conditions, a “Reserved Matter” means any proposal: (i) to change any date fixed for payment of principal or interest in respect of the Covered Bonds of all or of a given Series, (ii) to reduce the amount of principal or interest due on any date in respect of the Covered Bonds of all or of a given Series or to alter the method of calculating the amount of any payment in respect of the Covered Bonds of all or of a given Series on redemption or maturity; (iii) to effect the exchange, conversion or substitution of the Covered Bonds of all or of a given Series into shares, bonds or other obligations or securities of the Issuer or any other person or body corporate formed or to be formed; (iv) to change the currency in which amounts due in respect of the Covered Bonds of all or of a given Series are payable; (v) to alter the priority of payment of interest or principal in respect of the Covered Bonds of all or of a given Series; or (vi) to amend this definition;

(D) A Resolution approved at any meeting of the holders of Covered Bonds of a Series shall, subject as provided below, be binding on all the holders of Covered Bonds of such Series, whether or not they are present at the meeting. Pursuant to the Common Representative Appointment Agreement, the Common Representative may convene a single meeting of the holders of Covered Bonds of more than one Series if in the opinion of the Common Representative there is no conflict between the holders of such Covered Bonds, in which event the provisions of this paragraph shall apply thereto *mutatis mutandis*.

(E) Notwithstanding the provisions of the immediately preceding paragraph, any Resolution to direct the Common Representative to accelerate the Covered Bonds pursuant to Condition 9 (*Events of Default and Enforcement*) or to direct the Common Representative to take any enforcement action (each a “**Programme Resolution**”) shall only be capable of being passed at a single meeting of the holders of Covered Bonds of all Series then outstanding.

(F) Any such meeting to consider a Programme Resolution may be convened by the Issuer or the Common Representative or by holders of Covered Bonds of any Series.

(G) A Programme Resolution passed at any meeting of the holders of Covered Bonds of all Series shall be binding on all holders of Covered Bonds of all Series, whether or not they are present at the meeting.

(H) In connection with any meeting of the holders of Covered Bonds of more than one Series where such Covered Bonds are not denominated in euro, the nominal amount of the Covered Bonds of any Series not denominated in euro shall be converted into euro at the relevant exchange rate at the date of the meeting.

### 13. INDEMNIFICATION OF THE COMMON REPRESENTATIVE CONTRACTING WITH THE ISSUER

(A) If, in connection with the exercise of its powers and discretions (i) the Common Representative is of the opinion that the interests of the holders of Covered Bonds of any one or more Series would be materially prejudiced thereby, the Common Representative shall not exercise such powers and discretions without the approval of such holders of Covered Bonds by a Resolution or by a written resolution of such holders of Covered Bonds of at least the majority of the Principal Amount Outstanding of Covered Bonds of the relevant Series then outstanding.

(B) The Common Representative shall not be required to expend its own funds or otherwise incur or risk incurring any liability in the performance of its duties or in the exercise of any of its rights, powers, authorities or discretions if it has grounds for believing the repayment of such funds is not reasonably assured to it under the Covered Bonds Law or if it has not been provided with adequate indemnity against or security for such risk or liability. Notwithstanding any Programme Resolution or any other Resolution approved at any meeting or any written resolution of any holders of Covered Bonds, the Common Representative may (i) refrain from taking any action until it has been provided with sufficient funds or adequate indemnity against or security for any liability it may incur as a result of any such actions and (ii)

refrain from doing anything which might in its opinion be contrary to any law of any jurisdiction or which might otherwise render it liable to any person and (iii) do anything which is in its opinion necessary to comply with any such law, and in no circumstances shall be liable to the holders of Covered Bonds for any consequences of such actions or inaction. The Common Representative Appointment Agreement contains further provisions for the indemnification of the Common Representative and for its relief from responsibility.

#### **14. REPLACEMENT OF COVERED BONDS, COUPONS AND TALONS**

Should any Covered Bond, Receipt, Coupon or Talon (if applicable) be lost, stolen, mutilated, defaced or destroyed, it may be replaced, in accordance with article 51 of the Portuguese Securities Code, at the specified office of the financial intermediary where such Covered Bond, Receipt, Coupon or Talon (if applicable) is registered or deposited (as the case may be) upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Covered Bonds, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

#### **15. OVERCOLLATERALISATION, VALUATION OF COVER POOL AND ISSUER COVENANTS**

##### **15.1 Maintenance of overcollateralisation**

For so long as the Covered Bonds are outstanding, the Value (determined in accordance with the Covered Bonds Law and the Bank of Portugal Regulations) of the Cover Pool maintained by the Issuer shall at all times be a minimum of 105.26 per cent. of the aggregate Value of all outstanding Covered Bonds issued under the Programme less any Covered Bonds held by the Issuer pursuant to article 21.2 of the Covered Bonds Law and not cancelled or such other percentage as may be selected by the Issuer from time to time and notified to the Cover Pool Monitor (the “Overcollateralisation Percentage”), provided that:

- (i) the Overcollateralisation Percentage shall not, for so long as there are Covered Bonds outstanding, be reduced by the Issuer below 105.26 per cent.; and
- (ii) without prejudice to (i) above, the Issuer shall not at any time reduce Overcollateralisation Percentage which applies for the purposes of this Condition 15 if this could result in any credit rating then assigned to the Covered Bonds by any Rating Agency being reduced, removed, suspended or placed on credit watch.

##### **15.2 Issuer Covenants**

For so long as any of the Covered Bonds are outstanding, the Issuer shall ensure that:

- (A) *Loan to Value:* the Value of a Mortgage Credit granted by the Issuer may not exceed either 80 per cent. of the Property Value, in case of a Property intended primarily for residential purposes, or 60 per cent. of the Property Value, in case of a Property intended primarily for commercial purposes;
- (B) *Asset Cover:* the aggregate value of the Other Assets may not exceed 20 per cent. of the aggregate value of the Cover Pool;
- (C) *Average Maturity:* the remaining average Maturity of all outstanding Covered Bonds is at all times shorter than the remaining average Maturity of the Cover Pool entered in the Register;
- (D) *Interest Cover:* the total amount of interest receivable on the Cover Pool will at all times be at least equal to or exceed the total amount of interest payable on the outstanding Covered Bonds;
- (E) *Valuations:* all the required valuations of Covered Bonds, Mortgage Credits, Hedging Contracts, Other Assets and Properties will be made in compliance with the requirements of the Covered Bonds Law and the Bank of Portugal Regulations (in particular Regulation 5/2006 and Regulation 6/2006);

(F) *Cover Pool Monitor*: the Cover Pool Monitor will be provided with all necessary elements and information to monitor compliance by the Issuer of this Condition 15 in accordance with the Covered Bonds Law;

(G) *Mortgage Credits*: the Mortgage Credits included in the Cover Pool are not Non-Performing Mortgage Credits; and

(H) *Liabilities*: The net present value of the liabilities arising from issues of Covered Bonds cannot exceed the net present value of the Cover Pool, including any Hedging Contracts. This ratio must also be met for 200 basis points parallel shifts of the yield curve.

## **16. FURTHER ISSUES**

The Issuer shall be at liberty from time to time without the consent of the holders of Covered Bonds to create and issue further securities with the same terms and conditions of the Covered Bonds of any Series or the same in all respects save for the amount and date of the first payment of interest thereon, issue date and/or purchase price and so that the same shall be consolidated and form a single Series with the outstanding Covered Bonds of such Series.

## **17. GOVERNING LAW**

The Common Representative Appointment Agreement, the Agency and Payments Procedures, the Covered Bonds, the other Transaction Documents and any non-contractual obligations arising therefrom are governed by, and shall be construed in accordance with, Portuguese law unless specifically stated to the contrary.

## **18. DEFINITIONS**

In these Terms and Conditions, the following defined terms have the meanings set out below:

“**2010 PD Amending Directive**” means Directive 2010/73/EU of the European Parliament and of the Council of 24 November 2010.

“**Acceleration Notice**” means a notice served on the Issuer pursuant to Condition 9 (*Events of Default and Enforcement*).

“**Agency and Payments Procedures**” means the set of agency and payments procedures (such agency and payments procedures as amended and/or supplemented and/or restated from time to time) dated 23 November 2006 and made and agreed by Caixa Geral de Depósitos, S.A. and by any subsequent agent, paying agent, transfer agent, agent bank and/or registrar appointed by the Issuer.

“**Agent**” means Caixa Geral de Depósitos, S.A., with its head office at Av. João XXI, no. 63, 1000-300 Lisboa.

“**Bank of Portugal Regulations**” means the secondary legislation passed by the Bank of Portugal regulating certain aspects of the Covered Bonds Law, namely Regulation 5/2006, Regulation 6/2006, Instruction 13/2006, Regulation 7/2006 and Regulation 8/2006 and any relevant regulations or instructions that may be issued by the Bank of Portugal in the future.

“**Base Prospectus**” means this base prospectus dated 23 November 2006, supplemented on 27 June 2007, 25 January 2008, 23 July 2009, 5 January 2010, 9 June 2010, 9 September 2010, 3 March 2011, 28 September 2011 and 27 July 2012 prepared in connection with the Programme.

“**Bearer Covered Bonds**” means any Covered Bonds in bearer form issued (whether or not in global form).

“**Central de Valores Mobiliários**” means the Portuguese Centralised System of Registration of Securities.

“**Clearstream, Luxembourg**” means Clearstream Banking société anonyme, Luxembourg.

“**CMVM**” means the *Comissão do Mercado de Valores Mobiliários*, the Portuguese Securities Commission.

“**Common Representative**” means Deutsche Trustee Company Limited, in its capacity as representative of the holders of the Covered Bonds pursuant to Article 14 of the Covered Bonds Law in accordance with the Terms and Conditions and the terms of the Common Representative Appointment Agreement, having its registered office at Winchester House, 1 Great Winchester Street, London EC2N 2DB, United Kingdom.

“**Couponholders**” means the persons who for the time being are holders of Coupons.

“**Coupons**” means the interest coupons related to the Definitive Bearer Covered Bonds and for the time being outstanding or, as the context may require, a specific number of such coupons.

“**Cover Pool**” means the pool of assets maintained by the Issuer and allocated to the issue of Covered Bonds under the Programme, held to the benefit of the holders of Covered Bonds and the Other Preferred Creditors, and including the Mortgage Credits, the Hedging Contracts and the Other Assets, as specified in the Register.

“**Cover Pool Monitor**” means Deloitte & Associados – SROC, S.A., member of the Portuguese Institute of Statutory Auditors (“*Ordem dos Revisores Oficiais de Contas*”), registered with the CMVM with registration number 231, with registered office at Edifício Atrium Saldanha, Praça Duque de Saldanha, 1 – 6<sup>th</sup>, 1050-094, Lisboa.

“**Covered Bond**” means any mortgage covered bond issued by the Issuer pursuant to the Covered Bonds Law in the form specified in the applicable Final Terms and “**Covered Bonds**” shall be construed accordingly.

“**Covered Bonds Law**” means the Portuguese legal framework applicable to the issuance of covered bonds, enacted by Decree-law no. 59/2006, of 20 March 20 2006, as amended.

“**Definitive Covered Bond**” means any definitive Covered Bond, in bearer or registered form, issued only in exchange for a Global Covered Bond in bearer form held through Euroclear and/or Clearstream, Luxembourg.

“**Definitive Bearer Covered Bond**” means any definitive Covered Bond in bearer form issued only in exchange for a Global Covered Bond in bearer form held through Euroclear and/or Clearstream, Luxembourg.

“**Definitive Registered Covered Bond**” means any definitive Covered Bond in registered form issued whether or not in exchange for a Global Covered Bond in registered form held through Euroclear and/or Clearstream, Luxembourg.

“**Euro**”, “**€**” or “**euro**” means the lawful currency of Member States of the European Union that adopt the single currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No. 974/98 of 3 May 1998 on the introduction of the euro, as amended..

“**Euroclear**” means Euroclear Bank S.A./N.V..

“**Final Terms**” means, in relation to each Tranche, the applicable final terms attached to, or endorsed on, such Covered Bonds.

“**Fixed Interest Period**” means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

“**Global Covered Bond**” means any global covered bond (whether temporary or permanent, if applicable).

“**Hedge Counterparties**” means the party or parties that, from time to time, will enter into Hedging Contracts with the Issuer in accordance with the Covered Bonds Law.

“**Hedging Contracts**” means the hedging contracts entered into by the Issuer in accordance with the Covered Bonds Law for the purpose of hedging interest rate, exchange or liquidity risks in relation to the Cover Pool.

“**Instruction 13/2006**” means the regulatory instruction (“*Instrução*”) no. 13/2006 issued by the Bank of Portugal relating to certain information duties applicable in relation to the issue of mortgage covered bonds in accordance with the Covered Bonds Law.

“**Interbolsa**” means Interbolsa – Sociedade Gestora de Sistemas de Liquidação e de Sistemas Centralizados de Valores Mobiliários, S.A. as operator of the Central de Valores Mobiliários.

“**Interbolsa Participant**” means any authorised financial intermediary entitled to hold control accounts with Interbolsa on behalf of its customers and includes any depository banks appointed by Euroclear and Clearstream, Luxembourg for the purpose of holding accounts on behalf of Euroclear and Clearstream, Luxembourg.

“**Interest Amount**” means, as applicable, the amount of interest payable on the Floating Rate Covered Bonds or Index Linked Interest Covered Bonds in respect of each Specified Denomination, calculated by the Calculation Agent pursuant to Condition 4 (*Interest*).

“**Loan to Value**” means, in respect of a Mortgage Credit, the ratio of the aggregate value of such Mortgage Credit to the Property Value of the Property securing such Mortgage Credit.

“**Maturity**” means the final legal maturity of any outstanding Covered Bonds, Mortgage Credits, Hedging Contracts or Other Assets, as applicable.

“**Mortgage**” means, in respect of any Mortgage Credit, the charge by way of legal mortgage over the relevant Property together with all other encumbrances or guarantees the benefit of which is vested in the Issuer as security for the repayment of that Mortgage Credit.

“**Mortgage Credit**” means the pecuniary credit receivables secured by a Mortgage and/or any Additional Security which is comprised in the Cover Pool and which complies with the following eligibility criteria established in the Covered Bonds Law:

- (a) it is a pecuniary receivable not yet matured, which is neither subject to conditions nor encumbered, judicially seized or apprehended and which is secured by first ranking mortgages over residential or commercial real estate located in an EU Member State;
- (b) notwithstanding (a) above, it is a pecuniary receivable secured by a junior mortgage but where all Mortgage Credits ranking senior thereto are held by the Issuer and also allocated to the Cover Pool;
- (c) it is a receivable secured by (i) a personal guarantee granted by a credit institution, or (ii) an appropriate insurance policy, in any case together with a mortgage counter guarantee evidencing (a) or (b) above.

“**Non-Performing Mortgage Credits**” means, with respect to a Mortgage Credit, that such Mortgage Credit:

- (a) is in the course of being foreclosed or otherwise enforced; or
- (b) has one or more payments of principal or interest payable on the related credit in arrears and those payments are referable to a period of 90 days or more.

“**Other Assets**” means all assets other than Mortgage Credits and Hedging Contracts which comply with the eligibility criteria established in the Covered Bonds Law and which are included in the Cover Pool as

specified in the Register, including:

- (a) deposits with the Bank of Portugal in cash, or securities eligible for credit transactions in the Eurosystem;
- (b) current or term account deposits with credit institutions (which are not in a control or group relationship with the Issuer) having a rating at least equal to "A-" or equivalent, unless a higher rating has been agreed with any Rating Agency, in which case such higher rating shall be met; and
- (c) other assets complying simultaneously with the requisites of low risk and high liquidity as defined by the Bank of Portugal.

The Issuer undertakes that on any Business Day the Other Assets include assets specified under (a) above corresponding to "AAA" or equivalent rated sovereign bonds from a EU Member-State, the United States, Japan and/or Canada in an amount (as calculated by the Issuer on such Business Day) at least equal to the interest payments due by the Issuer under the outstanding Covered Bonds during the next 90 days.

For the avoidance of doubt, the Other Assets do not include any cash collateral that may be transferred under the Hedging Contracts.

**"Other Preferred Creditors"** means the Common Representative (or any successor thereof) and the Hedge Counterparties.

**"Overcollateralisation Percentage"** means 105.26 per cent. or such other percentage as may be selected by the Issuer from time to time and notified to the Cover Pool Monitor, provided that: (i) the Overcollateralisation Percentage shall not, for so long as there are Covered Bonds outstanding, be reduced by the Issuer below 105.26 per cent.; and (ii) without prejudice to (i) above, the Issuer shall not at any time reduce Overcollateralisation Percentage which applies for the purposes of Condition 15 if this could result in any credit rating then assigned to the Covered Bonds by any Rating Agency being reduced, removed, suspended or placed on credit watch.

**"Paying Agents"** means the paying agents named in the Agency and Payments Procedures together with any successor or additional paying agents appointed from time to time in connection with the Covered Bonds under the Agency and Payments Procedures.

**"Programme Resolution"** means any Resolution directing the Common Representative to accelerate the Covered Bonds pursuant to Condition 9 (*Events of Default and Enforcement*) or directing the Common Representative to take any enforcement action and which shall only be capable of being passed at a single meeting of the holders of Covered Bonds of all Series then outstanding.

**"Property"** means, in relation to any Mortgage Credit, the property upon which the repayment of such Mortgage Credit is secured by the corresponding Mortgage and **"Properties"** means all of them.

**"Property Valuation"** means, in relation to any Property:

- (a) the amount determined as the commercial value or the market value (as applicable) of such Property in accordance with the most recent independent valuation of such Property, at the time or after the relevant Mortgage Credit was originated, in accordance with Regulation 5/2006; and
- (b) the amount determined by resorting to the use of adequate and recognized indexes or statistical methods, whenever an independent valuation of the Property is not required pursuant to the Covered Bonds Law and Regulation 5/2006.

**"Property Value"** means, in relation to a Property securing a Mortgage Credit, the Property Valuation of such Property, as specified under "Property Valuation", paragraph a).

**"Receipts"** means the principal receipts related to the Definitive Bearer Covered Bonds.

“**Receiptholders**” means the persons who for the time being are holders of the Receipts.

“**Register**” means the register of the Cover Pool and associated collateral maintained by the Issuer in accordance with the Covered Bonds Law and the Bank of Portugal Regulations.

“**Registrar**” means a registrar appointed by the Issuer in respect of one or more Series of Covered Bonds.

“**Registered Covered Bond**” means any covered bond in registered form.

“**Regulation 5/2006**” means the regulatory notice (“*Aviso*”) no. 5/2006 issued by the Bank of Portugal and published on 11 October 2006, relating to the valuation of real estate assets serving as security for mortgage credits comprised in cover pools allocated to the issue of mortgage covered bonds in accordance with the Covered Bonds Law.

“**Regulation 6/2006**” means the regulatory notice (“*Aviso*”) no. 6/2006 issued by the Bank of Portugal and published on 11 October 2006, relating to the prudential limits applicable in relation to the issue of mortgage covered bonds in accordance with the Covered Bonds Law.

“**Regulation 7/2006**” means the regulatory notice (“*Aviso*”) no. 7/2006 issued by the Bank of Portugal and published on 11 October 2006, relating to the weighting coefficient applicable to the ownership of covered bonds issued in accordance with the Covered Bonds Law.

“**Regulation 8/2006**” means the regulatory notice (“*Aviso*”) no. 8/2006 issued by the Bank of Portugal and published on 11 October 2006, relating to the insolvency, winding-up or dissolution of a credit institution which has issued covered bonds issued in accordance with the Covered Bonds Law.

“**Regulation S**” means Regulation S under the Securities Act.

“**Relevant Date**” means the date on which a payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Agent or the Registrar, as the case may be, on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the holders of Covered Bonds in accordance with Condition 11 (*Notices*).

“**Reserved Matter**” means any proposal: (i) to change any date fixed for payment of principal or interest in respect of the Covered Bonds of all or of a given Series, (ii) to reduce the amount of principal or interest due on any date in respect of the Covered Bonds of all or of a given Series or to alter the method of calculating the amount of any payment in respect of the Covered Bonds of all or of a given Series on redemption or maturity; (iii) to effect the exchange, conversion or substitution of the Covered Bonds of all or of a given Series into shares, bonds or other obligations or securities of the Issuer or any other person or body corporate formed or to be formed; (iv) to change the currency in which amounts due in respect of the Covered Bonds of all or of a given Series are payable; (v) to alter the priority of payment of interest or principal in respect of the Covered Bonds of all or of a given Series; or (vi) to amend this definition.

“**Resolution**” means a resolution adopted at a duly convened meeting of holders of Covered Bonds and approved in accordance with the applicable provisions.

“**Securities Act**” means the United States Securities Act of 1933, as amended.

“**Stock Exchange**” means Euronext Lisbon or any other stock exchange where Covered Bonds may be listed as per the relevant Final Terms.

“**Talon**” and “**Talons**” means the talons for further Receipts and further Coupons attached to the Definitive Bearer Covered Bonds on issue.

“**TARGET Day**” means any day on which the TARGET System is open.

“**TARGET System**” means the Trans-European Automated Real-time Gross Settlement Express Transfer



Payment System which utilises a single shared platform and which was launched on 19 November 2007 (TARGET 2).

“**Tax**” shall be construed so as to include any present or future tax, levy, impost, duty, charge, fee, deduction or withholding of any nature whatsoever (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same) imposed or levied by or on behalf of any Tax Authority and “**Taxes**”, “**taxation**”, “**taxable**” and comparable expressions shall be construed accordingly.

“**Tax Authority**” means any government, state, municipal, local, federal or other fiscal, revenue, customs or excise authority, body or official anywhere in the world exercising a fiscal, revenue, customs or excise function including the Irish Revenue Commissioners and H.M. Revenue and Customs.

“**Tax Deduction**” means any deduction or withholding on account of Tax.

“**Terms and Conditions**” means in relation to the Covered Bonds, the terms and conditions to be endorsed on or applicable to the Covered Bonds and any reference to a particular numbered Condition shall be construed in relation to the Covered Bonds accordingly.

“**Treaty**” means the treaty on the Functioning of the European Union, as amended from time to time.

“**Value**” means:

- (a) in relation to a Mortgage Credit, (i) for the purpose of the Overcollateralisation Percentage, an amount equal to the book value of such Mortgage Credit entered on the Register, together with any matured and accrued interest; and (ii) for the purpose of Loan to Value calculation, an amount equal to the book value of such Mortgage Credit entered on the Register;
- (b) in relation to any Other Assets:
  - (i) the aggregate amount of any deposits together with any matured and accrued interest, as entered on the Register;
  - (ii) the value resulting from the rules regarding valuation of margins defined by the Eurosystem for securities eligible for Eurosystem credit transactions or, if lower, the nominal value of such securities, including matured and accrued interests.

## CHARACTERISTICS OF THE COVER POOL

### INTRODUCTION – CAPACITY TO ISSUE COVERED BONDS

In general, only duly licensed credit institutions allowed by law to grant mortgage loans, and having own funds not lower than €7,500,000, may issue covered bonds. The Issuer complies with these requirements and is thus allowed to issue covered bonds under the Covered Bonds Law.

### ISSUER REQUIRED TO MAINTAIN COVER POOL

The Issuer may issue Covered Bonds only if it maintains a related Cover Pool in compliance with the Covered Bonds Law. The Cover Pool contains mortgage credit assets, substitution assets and other eligible assets (including hedging contracts) subject to the limitations provided for in the Covered Bonds Law. The Covered Bonds Law allows for the composition of the Cover Pool to be dynamic and does not require it to be static. Accordingly, the mortgage credit assets (and other permitted assets) to be comprised in the Cover Pool may change from time to time after the date hereof in order to ensure compliance with the requirements of the Covered Bonds Law and with the Bank of Portugal Regulations (as defined in *Definitions*).

To enable it to issue Covered Bonds, the Issuer has established and will maintain a segregated register (the “**Register**”) in relation to the Cover Pool for the purposes of the Covered Bonds Law. The Issuer plans to issue from time to time further Covered Bonds and will include in the relevant Cover Pool, additional mortgage credit assets or substitution assets as security for those Covered Bonds in accordance with relevant provisions of the Covered Bonds Law, as further detailed below.

The Issuer is required, as soon as practicable after becoming aware that it has contravened the provisions of the Covered Bonds Law, take all possible steps to prevent the contravention from continuing or being repeated.

### ELIGIBILITY CRITERIA FOR ASSETS COMPRISED IN THE COVER POOL

Only mortgage credits or receivables which comply with the legal eligibility criteria described below may be included in the Cover Pool:

#### *Mortgage Credits Eligibility Criteria*

Pecuniary credit receivables which are not yet matured and neither subject to conditions nor encumbered, judicially seized or apprehended and secured by:

- (a) first ranking mortgages over residential or commercial real estate located in an EU Member State or
- (b) junior mortgages but where all Mortgage Credits ranking senior thereto are held by the Issuer and are also allocated to the Cover Pool; or
- (c) a personal guarantee granted by a credit institution or an appropriate insurance policy, in any case together with a mortgage counter guarantee evidencing (a) or (b) above.

#### *“Other Assets” Eligibility Criteria:*

The following assets may also be included in the Cover Pool as Other Assets:

- (a) deposits with the Bank of Portugal in cash, or securities eligible for credit transactions in the Eurosystem (which is the monetary authority of the euro area which comprises the European Central Bank and the national central banks of the EU Member States whose currency is the euro);
- (b) current or term account deposits with credit institutions (which are not in a control or group relationship with the Issuer) having a rating at least equal to “A-” or equivalent, unless a higher rating has been agreed with any Rating Agency, in which case such higher rating shall be met; and

- (c) other assets meeting both the low risk and high liquidity requirements of the Bank of Portugal Regulations.

The Issuer undertakes that on any Business Day the Other Assets include assets specified under (a) above corresponding to “AAA” or equivalent rated sovereign bonds from a EU Member-State, the United States, Japan and/or Canada in an amount (as calculated by the Issuer on such Business Day) at least equal to the interest payments due by the Issuer under the outstanding Covered Bonds during the next 90 days.

For the avoidance of doubt, the Other Assets do not include any cash collateral that may be transferred under the Hedging Contracts.

The aggregate value of the Other Assets may not exceed 20 per cent. of the aggregate value of the Cover Pool allocated as collateral to all Covered Bonds issued by the Issuer.

At the date of this Base Prospectus, the Issuer intends to include in the Cover Pool mortgage credits which are located in Portugal and secured primarily on residential property for the purposes of the Covered Bonds Law.

The Issuer does not intend at the date of this Base Prospectus to include either (i) Mortgage Credits which have their primary security over commercial property or (ii) Mortgage Credits in respect of which the associated Property is located for the purposes of the Covered Bonds Law outside Portugal without first obtaining (in each case for so long as the Covered Bonds are rated by such rating agency) from Moody’s, Fitch and Standard & Poor’s a confirmation that any such action will not result in a downgrade of the rating then ascribed by such rating agency to the Covered Bonds.

#### **HEDGING CONTRACTS**

The Covered Bonds Law allows the Cover Pool to include hedging contracts aimed exclusively at hedging risks, namely interest rate, exchange rate or liquidity risks. These hedging contracts will form part of the Cover Pool and may be taken into account in the assessment of the financial ratios and requirements of the Covered Bonds Law and described in this section.

Pursuant to the requirements of the Covered Bonds Law, any such hedging contract can only be entered into (i) in a regulated market of an EU Member State, or (ii) recognized market of an OECD country, or (iii) with a counterparty which is a credit institution with a rating of at least «A-» or equivalent. The Covered Bonds Law empowers the Bank of Portugal to develop, by regulatory notice (“*Aviso*”), the eligibility criteria for hedging contracts to form part of the Cover Pool.

Also pursuant to the Covered Bonds Law, the Register shall, in relation to each Hedging Contract, identify (i) the Covered Bonds to which the relevant Hedging Contract relates; (ii) the corresponding Cover Pool; (iii) the nominal value of the Hedging Contract; (iv) the Hedge Counterparty; and (v) the commencement date and the maturity date of such Hedging Contract.

If a particular Tranche of Covered Bonds is issued in a denomination other than the euro, the Issuer must enter into Hedging Contracts for the purpose of hedging any currency exchange risk.

Interest rate exposure of the Issuer relating to Mortgage Credits comprised in the Cover Pool will be managed through the Hedging Contracts. Interest rate swaps will be entered into with a Hedge Counterparty relating to both the Cover Pool and the Covered Bonds issued by the Issuer. The Hedging Contracts will qualify as derivative financial instruments for the purposes of the Covered Bonds Law.

Under Hedging Contracts, with respect to interest rate hedging on the Cover Pool, on a monthly basis the Issuer will pay to a Hedge Counterparty an amount related to a weighted average basket interest rate, determined by reference to the interest rates payable on the Mortgage Credits held by the Issuer and which are included in the Cover Pool on the relevant date. The payment will be calculated on a notional amount equal to the principal amount outstanding of those Mortgage Credits on the relevant date. In return, on a

monthly basis, the Hedge Counterparty will pay to the Issuer an amount related to one month EURIBOR on that notional amount.

Additionally, with respect to interest rate hedging on Covered Bonds, on an annual basis or such other basis referable to the relevant coupon period, the Hedge Counterparty will pay under the Hedging Contracts an amount related to the interest rate payable on the relevant Covered Bonds on a notional amount equal to the principal amount outstanding of the relevant Covered Bonds and the Issuer will pay to such Hedge Counterparty an amount related to one month EURIBOR on that notional amount.

Under the terms of the proposed Hedging Contracts to be entered into with the Hedge Counterparty, if the rating of any Hedge Counterparty short term unsecured, unsubordinated debt obligations falls below “F1” by Fitch, “Prime-1” by Moody’s or “A-1” by S&P or the rating of any Hedge Counterparty long-term unsecured, unsubordinated debt obligations falls below “A” by Fitch or “A1” by Moody’s at any time, the Hedge Counterparty will be required to take certain remedial measures which may include: (i) providing collateral for its obligations under the Hedging Contract; (ii) arranging for its obligations under the Hedging Contracts to be transferred to an entity which rating is higher or equivalent to the above ratings; (iii) procuring another entity which rating is higher or equivalent to the above ratings to become co-obligor in respect of its obligations under the Hedging Contracts; or (iv) taking such other action as it may agree with the relevant rating agency. A failure to take such steps will allow the Issuer to terminate the Hedging Contracts.

#### **LOAN-TO-VALUE RESTRICTIONS**

Pursuant to the Covered Bonds Law, the amount of any mortgage credit asset included in the Cover Pool may not exceed (i) the value of the corresponding Mortgage, and (ii) 80 per cent. of the value of the Property, if it is residential property, or 60 per cent. of the value of the Property, if it is commercial property. See *Valuation of Cover Pool* below.

#### **WEIGHTED AVERAGE TERM TO MATURITY**

The Covered Bonds Law sets out certain criteria, including matching weighted average term to maturity, which are required to be met by the Issuer in respect of its Cover Pool. In any case, the average maturity of the outstanding Covered Bonds may not exceed, at any time, the average maturity of the Mortgage Credits and Other Assets allocated to the relevant issuance.

#### **OVERCOLLATERALISATION**

Pursuant to the Covered Bonds Law, the nominal principal amount of any Covered Bonds outstanding may not exceed 95 per cent. of the aggregate nominal amount of the Cover Pool less any Covered Bonds acquired by the Issuer pursuant to the Covered Bonds Law and not cancelled. In addition, the aggregate amount of interest payable to the holders of Covered Bonds may not exceed, at any time, the amount of interest to be collected under the Cover Pool (including both the Mortgage Credits and the Other Assets) allocated to the Covered Bonds.

In compliance with the above legal requirements, Condition 15 (*Overcollateralisation, Valuation of Cover Pool and Issuer Covenants*) requires the Issuer to over-collateralise the Cover Pool with respect to outstanding Covered Bonds at a minimum level of 105.26 per cent. or such other percentage as may be selected by the Issuer from time to time and notified to the Cover Pool Monitor, provided that: (i) the Overcollateralisation Percentage shall not, for so long as there are Covered Bonds outstanding, be reduced by the Issuer below 105.26 per cent.; and (ii) without prejudice to (i) above, the Issuer shall not at any time reduce Overcollateralisation Percentage which applies for the purposes of Condition 15 if this could result in any credit rating then assigned to the Covered Bonds by any Rating Agency being reduced, removed, suspended or placed on credit watch.

*See Terms and Conditions of the Covered Bonds.*

For the purposes of the calculation of the level of overcollateralisation referred above:

- (a) Mortgage Credits shall be included at their outstanding principal amount, together with any accrued but unpaid interest;
- (b) the Covered Bonds shall be accounted according to the nominal value of outstanding principal, including matured and accrued interest;
- (c) in relation to any Other Assets:
  - (i) deposits shall be accounted for according to their amount together with any accrued but unpaid interest; and
  - (ii) securities eligible for Eurosystem credit transactions shall be accounted for by one value resulting from the rules regarding margin valuation laid down by the Eurosystem or, if lower, according to their nominal value, including accrued but unpaid interests.

Also for the purpose of these calculations the exchange rates published by the European Central Bank shall be used as a reference.

In addition, the net present value of the liabilities arising from issues of Covered Bonds cannot exceed the net present value of the Cover Pool, including any Hedging Contracts. This ratio must also be met for 200 basis point parallel shifts in the yield curve.

#### **COMPLIANCE WITH FINANCIAL REQUIREMENTS**

The Cover Pool Monitor must monitor the Issuer's compliance with the financial requirements established in the Covered Bonds Law and in the Bank of Portugal Regulations described in this section. The Issuer must, as soon as practicable after becoming aware that it has failed to comply with any provisions of the Covered Bonds Law summarised herein (or when it is reasonable to expect that they will not be complied with), take all steps to comply with that provision, by undertaking one or more of the following procedures:

- (a) allocating new mortgage credit assets, with or without substitution of those already allocated to the Covered Bonds; and/or
- (b) allocating additional Other Assets; and/or
- (c) acquiring Covered Bonds in the secondary market.

#### **VALUATION OF COVER POOL**

The Covered Bonds Law sets out certain requirements and criteria which are required to be met by the Issuer in respect of the valuation of Mortgage Credits comprised in the Cover Pool.

The Covered Bonds Law empowers the Bank of Portugal to specify, by regulatory notice ("Aviso" or "Regulation"), requirements in relation to the valuation basis and methodology, time of valuation and any other matter that it considers relevant for determining the value of mortgage credit assets or Other Assets for the purposes of the Covered Bonds Law. The Covered Bonds Law also empowers the Bank of Portugal to specify, by regulatory notice, requirements in relation to the valuation basis and methodology, time of valuation and any other matter that it considers relevant for determining the value of substitution assets that are to be comprised in the Cover Pool. These requirements are set out in Regulation 6/2006.

#### ***Valuation of Properties***

##### *General Overview*

The value of each Property associated with a Mortgage Credit comprised in the Cover Pool corresponds to

the commercial value of such Property, determined in accordance with prudent criteria and taking into consideration (i) the sustainable long term characteristics of such Property, (ii) the standard conditions of the local market, (iii) the current use of the relevant Property, and (iv) any alternative uses of the Property in question.

Pursuant to the requirements of Regulation 5/2006, the commercial value awarded by the Issuer to each of the Properties related to Mortgage Credits comprised in the Cover Pool may not be higher than the market value of such Property. For these purposes, the “**market value**” of each Property shall correspond to the price by which the relevant Property can be purchased by a third party able to complete such purchase on the date of the valuation of the Property, assuming that (i) the Property is publicly put on sale, (ii) the market conditions allow for a regular transfer of such Property, and (iii) there is a normal period of time to, considering the nature of the Property in question, negotiate the purchase and sale of such Property.

#### *Valuation by expert*

Prior to the inclusion in the Cover Pool of the related Mortgage Credit, each Property must have been valued by a real estate valuation expert. Such valuation shall be reviewed by a real estate valuation expert whenever (i) the information available to the Issuer indicates that there may have been a substantial decrease in the value of the Property or (ii) the value of the Property may have materially decreased in relation to general market prices.

A valuation made by a real estate valuation expert prior to the enactment of Regulation 5/2006 may, however, be used by the Issuer provided that:

- (a) the valuations are carried out by a valuation expert who is independent from the credit analysis and credit decision process within the Group;
- (b) the valuations are subject to a written report from the valuation expert that includes in a clear and accurate way elements that allow the understanding of the analysis and conclusions of the valuation expert;
- (c) the Properties have been valued in light of the corresponding market value, as established by Regulation 5/2006; and
- (d) there has been no evidence that the relevant Property is over-valued at the time of allocation of the relevant Mortgage Credit to the issue of Covered Bonds.

The real estate valuation experts appointed from time to time by the Issuer to conduct the required valuation of Properties shall be independent and be adequately qualified and experienced for the performance of their functions. The Issuer may not appoint a real estate valuation expert with any potential conflicts of interest, notably where there is (i) any specific interest of the real estate valuation expert in the Property subject to the valuation; (ii) any relationship, commercial or personal, with the borrower of the Mortgage Credit related to the Property subject to valuation, or (iii) where the remuneration of the valuation expert is dependent on the valuation of the relevant Property.

The Issuer may appoint a valuation expert within the Group, provided such valuation expert is independent from the credit analysis and decision making process within the Group.

The selection of real estate valuation experts by the Issuer must ensure adequate diversification and rotation, and the Issuer shall maintain a permanent and updated list of selected valuation experts, setting out the criteria which have led to the respective selection, as well as the Properties valued by each valuation expert. This list shall be sent to the Bank of Portugal by the end of January in each year, indicating, if applicable, any changes made to such list from the list submitted the previous year.

Under Regulation 5/2006, the Bank of Portugal may, in relation to a given Property, require the Issuer to appoint another valuation expert, in particular when the value resulting from the previous valuation raises

doubts as to its correctness.

#### *Methods of valuation*

The Issuer must ensure that each real estate valuation expert it appoints uses one of the following methods of valuation, which shall be chosen in light of the specific characteristics of the Property subject to valuation, as well as of the specific conditions of the local market:

- (a) Cost method;
- (b) Income method; or
- (c) Comparison method.

#### *Valuation report*

Each real estate valuation expert appointed by the Issuer shall prepare a report in relation to the valuation of each Property, setting out, in a clear and detailed manner, all the elements relevant for the full understanding of the analysis and conclusions of such valuation, in particular:

- (a) the identification of the relevant Property, with a detailed description of its characteristics;
- (b) a description and basis of the method(s) of valuation, any parameters used and/or assumptions adopted, identifying the manner in which the volatility effects of the short term market or the market temporary conditions were taken into account;
- (c) a description of possible qualifications to the analysis;
- (d) the valuation of the Property, in terms of both the value of the mortgaged Property and of the market value of the Property;
- (e) a statement of the valuation expert that he has effected the valuation according to the applicable requirements set out in the Covered Bonds Law and in the Bank of Portugal Regulations;
- (f) the date of the valuation and the identification and the signature of the valuation expert.

#### *Subsequent valuations of Properties and subsequent update of the value of Properties*

In respect of Mortgage Credits that exceed (i) 5 per cent. of the own funds of the Issuer or (ii) €500,000, in the case of residential Properties, or €1,000,000, in the case of commercial Properties, the valuation of the relevant Property shall be reviewed by a real estate valuation expert at least every three years.

The Issuer shall also perform any internal check of the value of each of the Properties once every three years, for residential Properties, and at least once a year for commercial Properties.

The Issuer may be required to conduct Property valuations whenever there is relevant information that indicates that a substantial decrease of the Property value has taken place or that the property value may have suffered a material decline in relation to standard market prices.

For the purpose of conducting an update of the valuation of the Properties, the Issuer may resort to recognised indexes or statistical methods. In this case, the Issuer shall send the Bank of Portugal a report with the detailed description of such indexes and statistical methods, as well as the grounds for their use, together with an opinion on the adequacy of such indexes and statistical methods produced by a reputable independent valuation expert.

All subsequent updates of the value of the Properties shall be documented by the Issuer, setting out the description of the relevant criteria and the frequency of the review.

The Issuer shall provide the Cover Pool Monitor with all information necessary for the Cover Pool Monitor

to supervise compliance by the Issuer with the requirements set forth in the Covered Bonds Law and in Regulation 5/2006 relating to the valuation of the Properties securing the Mortgage Credits comprised in the Cover Pool.

### ***Valuation of Other Assets***

Pursuant to Regulation 6/2006, the Other Assets shall be valued as follows:

- (a) the deposits shall be accounted for according to their amount together with any accrued but unpaid interest; and
- (b) the securities eligible for Eurosystem credit transactions shall be for by the value resulting from the rules regarding margin valuation laid down by the Eurosystem or, if lower, according to the nominal value of such securities, including accrued but unpaid interest.

### ***Insurance***

Pursuant to the Covered Bonds Law, in the absence of an insurance contract, adequate to the specific risks of the Property (which is the subject of a Mortgage) made by the owner thereof, the Issuer shall make such a contract, bearing the corresponding costs. The aforesaid insurance contract shall provide for a coverage that, in case of total loss, enables for such property to be rebuilt. The eventual payment shall be made by the insurers directly to the Issuer, up to the limit of the Mortgage Credit's principal amount.

### **COVER POOL SEGREGATED REGISTER AND SPECIAL CREDITOR PRIVILEGE**

#### ***Autonomous pool of assets and segregated register***

Pursuant to the Covered Bonds Law, the Cover Pool constitutes an autonomous pool of assets (“*património autónomo*”), not liable for any general indebtedness incurred by the Issuer until all amounts due to the holders of Covered Bonds and the Other Preferred Creditors are fully paid and discharged.

The Covered Bonds Law provides that the appropriate particulars of each asset comprised in the Cover Pool (including Mortgage Credits, Other Assets and Hedging Contracts) must be recorded in a segregated register within, and maintained by, the Issuer, such register having to record the following:

- (i) the outstanding principal amount;
- (ii) the applicable interest rate;
- (iii) the applicable maturity;
- (iv) the notary's office where the relevant mortgage was entered into, when applicable;
- (v) the reference regarding the definitive inscription of the mortgages in the corresponding real estate registry.

Pursuant to article 4.3 of the Covered Bonds Law, the Cover Pool is identified in the transaction documents by a code. The key to such code is deposited with the Bank of Portugal which has promulgated, by regulatory notice (“*Aviso*”), the conditions under which the holders of Covered Bonds may have access to the segregated register of the Cover Pool.

#### ***Special creditor privilege***

Under the Covered Bonds Law, the holders of Covered Bonds enjoy a special creditor privilege over the Cover Pool (including the Mortgage Credits, the Other Assets and the Hedging Contracts) with preference over any other general creditor, in relation to the repayment of principal and payment of interest due under the Covered Bonds. Pursuant to the Covered Bonds Law, this special creditor privilege applies automatically for the benefit of the holders of Covered Bonds, the Common Representative and the Hedge



Counterparties and is not subject to registration.

The mortgages created as security for the mortgage credit assets comprised in the Cover Pool shall prevail over all other real estate preferential claims.

## INSOLVENCY OF THE ISSUER

The Covered Bonds Law governs, to a certain extent, the impact on the Covered Bonds of a possible insolvency or winding-up of the Issuer, so as to ensure due protection to the holders of Covered Bonds. In the event of dissolution and winding-up (including on grounds of insolvency) of the Issuer, the Covered Bonds Law establishes that the Cover Pool shall be segregated from the insolvency estate of the Issuer and will not form part thereof until full payment of any amounts due to the holders of Covered Bonds. The amounts corresponding to payment of interest and repayment of principal of the Mortgage Credits and Other Assets will not form part of the insolvency estate of the Issuer.

The Cover Pool will, in such an event, be separated from the Issuer's insolvency estate so as to be autonomously managed until full payment of the amounts due to the holders of Covered Bonds. In this situation, pursuant to the Covered Bonds Law, the holders of Covered Bonds are entitled to adopt a resolution approving the immediate acceleration of the Covered Bonds by a majority of at least two thirds of the votes of the holders of Covered Bonds then outstanding, in which case the entity appointed to manage the Cover Pool shall provide for the liquidation thereof to the benefit of the holders of Covered Bonds.

If an Insolvency Event occurs in relation to the Issuer, the plan for the dissolution and winding-up of the Issuer, which shall be submitted to the Bank of Portugal pursuant to article 35-A of the Credit Institutions General Regime, shall identify a Substitute Credit Institution appointed to (i) manage the Cover Pool allocated to the outstanding Covered Bonds and (ii) ensure that the payments of any amounts due to the holders of such Covered Bonds are made. Such plan shall also describe the general framework and conditions under which those actions will be rendered by the Substitute Credit Institution.

In addition, if the authorisation of the Issuer to act as a credit institution in Portugal is revoked, the Bank of Portugal is required, simultaneously with the decision to revoke such authorisation, to appoint a Substitute Credit Institution to manage the Cover Pool allocated to the Covered Bonds outstanding and to ensure that payments due to the holders of such Covered Bonds are made.

The fees to be paid to the appointed Substitute Credit Institution shall be determined by the Bank of Portugal at the time of such appointment and shall be paid out of the Cover Pool.

In accordance with Regulation 8/2006, any Substitute Credit Institution appointed by the Bank of Portugal to service the Cover Pool following an Insolvency Event of the Issuer shall:

- (i) immediately upon being appointed, prepare an opening balance sheet in relation to the Cover Pool, supplemented by the corresponding explanatory notes;
- (ii) perform all acts and things necessary or desirable for the prudent management of the Cover Pool and respective guarantees in order to ensure the timely payment of all amounts due to holders of Covered Bonds, including, without limitation:
  - a. selling the Mortgage Credits comprised in the Cover Pool;
  - b. ensuring the timely collection in respect of the Mortgage Credits comprised in the Cover Pool;
  - c. performing all other acts and administrative services in connection with such Mortgage Credits and related Mortgages and Additional Security;
- (iii) maintain and keep updated a segregated register of the Cover Pool in accordance with the Covered Bonds Law; and
- (iv) prepare an annual financial report in relation to the Cover Pool and the outstanding Covered Bonds, which report shall be the subject of an audit report produced by an independent auditor. The independent auditor shall be appointed as Cover Pool Monitor by the Substitute Credit Institution in accordance with article 34 of the Covered Bonds Law.

Furthermore, any Substitute Credit Institution appointed by the Bank of Portugal to service the Cover Pool following an Insolvency Event of the Issuer shall perform all acts and things necessary or convenient for maintaining the relationship with the borrowers under such Mortgage Credits.

## **COMMON REPRESENTATIVE OF THE HOLDERS OF COVERED BONDS**

Deutsche Trustee Company Limited, with registered office at Winchester House, 1 Great Winchester Street, London EC2N 2DB, England, has been appointed by the Issuer as representative of the holders of the Covered Bonds pursuant to Article 14 of the Covered Bonds Law and in accordance with the Terms and Conditions and the terms of the Common Representative Appointment Agreement.

The Issuer has appointed the Common Representative to represent the holders of Covered Bonds. According to the Covered Bonds Law and to the relevant provisions of the Portuguese Commercial Companies Code, the Common Representative may be entitled to perform all the necessary acts and actions in order to ensure protection of the holders of Covered Bonds, namely: (a) to represent the holders of Covered Bonds in respect of all matters arising from the issuance of the Covered Bonds and to enforce on their behalf their legal or contractual rights; (b) to enforce any decision taken by the general meetings of the holders of Covered Bonds, in particular those where the acceleration of the Covered Bonds may be decided; (c) to represent the holders of Covered Bonds in any judicial proceedings, including judicial proceedings against the Issuer and, in particular, in the context of any winding-up, dissolution or insolvency commenced by or against the Issuer; (d) to collect and examine all the relevant documentation in respect of the Issuer which is provided to its shareholders; and (e) to provide the holders of Covered Bonds with all relevant information regarding the issuance of the Covered Bonds it may become aware of by virtue of its role as Common Representative under the Common Representative Appointment Agreement.

The holders of the Covered Bonds may at any time, by means of resolutions passed in accordance with the Terms and Conditions and the Common Representative Appointment Agreement, remove the Common Representative and appoint a new common representative.

## **COVER POOL MONITOR**

### **APPOINTMENT OF A COVER POOL MONITOR**

The Covered Bonds Law requires that the Board of Directors of the Issuer appoints a qualified person or entity to be the monitor of the Cover Pool (the “**Cover Pool Monitor**”) who shall be responsible, for the benefit of the holders of Covered Bonds, for monitoring the compliance by the Issuer of the requirements contained in the Covered Bonds Law and the Bank of Portugal Regulations.

Pursuant to the Covered Bonds Law, the Cover Pool Monitor must be an independent auditor registered with the CMVM. For these purposes, an independent auditor must be an auditor which is not related with or associated to any group of interests within the issuing entity and is not in a position that hinders its independent analysis and decision-making process, notably in light of (i) holding 2 per cent. or more of the issued share capital of the Issuer, either directly or on behalf of a third party; or (ii) having been re-elected for more than two terms either subsequent or not.

The Issuer is responsible for paying any remuneration or other money payable to the Cover Pool Monitor in connection with the Cover Pool Monitor’s responsibilities in respect of the Issuer and the holders of Covered Bonds.

### **ROLE OF THE COVER POOL MONITOR**

Pursuant to the Cover Pool Monitor Agreement, dated 23 November 2006, the Issuer appointed Deloitte & Associados – SROC, S.A. as Cover Pool Monitor. Deloitte & Associados – SROC, S.A. is registered with the CMVM under registration number 231.

The Cover Pool Monitor Agreement reflects the requirements of the Covered Bonds Law in relation to the appointment of a monitor in respect of the requirements (namely, financial requirements and the requirements set forth in Condition 15 (*Overcollateralisation, Valuation of Cover Pool and Issuer Covenants*)) concerning the Cover Pool and the Covered Bonds. The Cover Pool Monitor Agreement provides for certain matters such as overcollateralisation (see *Characteristics of the Cover Pool*), valuation of assets comprised in the Cover Pool, the payment of fees and expenses by the Issuer to the Cover Pool Monitor, the resignation of the Cover Pool Monitor and the replacement by the Issuer of the Cover Pool Monitor.

### **DUTIES AND POWERS OF THE COVER POOL MONITOR**

In accordance with the Covered Bonds Law, the Cover Pool Monitor is required to monitor, for the benefit of the holders of the Covered Bonds, compliance by the Issuer with the financial and prudential requirements established in the Covered Bonds Law and in the Bank of Portugal Regulations in respect of the Cover Pool. In particular, the Cover Pool Monitor shall be engaged to assess compliance by the Issuer with the requirements set forth in Condition 15.

Pursuant to the Covered Bonds Law and the Bank of Portugal Regulations, the Cover Pool Monitor is entitled to be provided with all information required to monitor compliance by the Issuer with the requirements relating to outstanding Covered Bonds and the Cover Pool.

Under the terms of the Covered Bonds Law and of the Bank of Portugal Regulations the Cover Pool Monitor must produce an annual report with an assessment of the Issuer’s compliance with the requirements established in the Covered Bonds Law and in the Bank of Portugal Regulations, in particular those requirements relating to the level of collateralisation, the loan-to-value ratios limitations and the valuation of assets comprised in the Cover Pool. The Cover Pool Monitor and the Issuer may agree to the production of interim reports. The Cover Pool Monitor must also prepare opinions certifying the statements of the management body of the Issuer, relating to information and documentation filed with the Bank of Portugal.

The Cover Pool Monitor will perform quarterly certain agreed upon procedures in the terms set forth in the

Cover Pool Monitor Agreement in order to prepare a quarterly report to be delivered to the Issuer indicating any situation that causes non-compliance by the Issuer with the requirements of the Covered Bonds Law, the Bank of Portugal Regulations and/or the Cover Pool.

If, having carried out any work referred to in the previous paragraph, the Cover Pool Monitor identifies any non-compliance with the requirements set out in Condition 15. of the Terms and Conditions of the Covered Bonds “*Maintenance of overcollateralization and Issuer Covenants*”, the Cover Pool Monitor shall notify the Issuer, as soon as reasonably practicable, of such event. If the situation remains unremedied within 30 (thirty) days after such notification, the Cover Pool Monitor will notify the Arrangers and the relevant Dealers of the contravention or non-compliance.

The Covered Bonds Law empowers the Bank of Portugal to promulgate, by regulatory notice (“*Aviso*”), after consultation with the CMVM and the Portuguese Association of the Chartered Accountants (*Ordem dos Revisores Oficiais de Contas*), the requirements applicable to the content, format and disclosure of any reports of the Cover Pool Monitor. Until the present date, the Bank of Portugal has not issued any notice on these matters.

#### **REMUNERATION AND TERMINATION OF THE APPOINTMENT OF THE COVER POOL MONITOR**

In accordance with the Cover Pool Monitor Agreement, the Cover Pool Monitor shall be remunerated by the Issuer for its services as Cover Pool Monitor at a rate as may from time to time be agreed between the Issuer and the Cover Pool Monitor.

The Issuer may at any time terminate the appointment of the Cover Pool Monitor and appoint a new entity to act in such capacity. Any such termination shall not become effective until a new cover pool monitor is appointed in accordance with the terms of the Cover Pool Monitor Agreement. Additionally, the Cover Pool Monitor may retire at any time upon giving not less than three calendar months notice in writing to the Issuer. Such retirement shall not become effective until the appointment of a new cover pool monitor.

## DESCRIPTION OF THE ISSUER

### HISTORY AND INTRODUCTION

Caixa Geral de Depósitos was created as a state bank by legislative charter (“Carta de Lei”) of 10 April 1876 with the main functions of collecting and administering legally required or judicially ordered deposits and issuing and managing government debt. It gradually expanded its operations to become a savings and investment bank. Caixa Geral de Depósitos was transformed into a state owned public limited company (“sociedade anónima de capitais exclusivamente públicos”) on 20 August 1993, by Decree-law no. 287/93, when its name was also changed to Caixa Geral de Depósitos, S.A. (“CGD” or “Caixa”). At present it operates as a full service bank and is subject to the legislation applicable to Portuguese financial institutions. CGD is wholly owned by the Portuguese state.

CGD's registered office is at Av. João XXI, no. 63, 1000-300 Lisbon, Portugal (phone: +351 21 795 30 00 / +351 21 790 50 00). Its share capital is €5,900,000,000 (following share capital increases from €3,100,000,000 to €3,500,000,000 on 1 August 2008, from €3,500,000,000 to €4,500,000,000 on 29 May 2009, from €4,500,000,000 to €5,050,000 on 31 December 2010, from €5,050,000 to €5,150,000,000 on November 2011 and from €5,150,000,000 to the current share capital amount on 29 June 2012). CGD is registered in the Commercial Registry Office of Lisbon under the sole registration and taxpayer number 500 960 046.

Where information is stated in this section to have been sourced from a third party, the Issuer confirms that this information has been accurately reproduced and that, as far as the Issuer is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

The statements in this section relating to market positions of the Issuer are based on calculations made by the Issuer using data produced by itself and/or obtained from other entities and which are contained or referred to in the Annual Report of the Issuer for 2011 (available at [www.cgd.pt](http://www.cgd.pt)).

CGD Group remained the banking sector leader in Portugal in 2011 in most segments and key products, specifically as regards the individual customers segment in Portugal, in terms of both deposits and mortgages. Reference should be made, in the case of banking operations, to the market share of client deposits, with 27.5 per cent. at the end of 2011, and particularly the individual customers segment, with 32 per cent.. The global market share of loans and advances to customers was 20.9 per cent. (23.4 per cent. in the individual customers segment) and 26.6 per cent. in mortgage loans.

In national insurance, the CGD Group, through its holding company for the insurance sector, maintained its leadership position in Portugal, reaching at the end of 2011 a market share of 33.4 per cent. (34.5 per cent. in the previous year) and maintaining the leadership already held in terms of “life insurance” (with a market share of 37.2 per cent) and non-life insurance with a market share of 26.5 per cent..

In asset management, in the leasing sector, Caixa Leasing e Factoring (“CLF”) was ranked third in property leasing, with a market share of 18.4 per cent.. In equipment leasing, the company's market share decreased from 19.4 per cent. in 2010 to 15.2 per cent. in 2011, and CLF ranked in fourth position in the factoring sector with a market share of 14.5 per cent. against 13.1 per cent. in 2010.

In investment funds activity, the market share of Caixagest remained at 23 per cent., allowing it to maintain its position as market leader in a year marked by the high volume of redemptions in money market funds and bonds. In the area of real estate investment trusts, Fundimo maintained its market share of 15.7 per cent., ranking it in second place by amount. Also in trust fund management, CGD Group took the top spot in the rankings by amount, with a market share of 30 per cent..

As the Portuguese banking brand with the best reputation, CGD has achieved the highest reputational index of all bank brands in Portugal, in the eyes of consumers in general, notwithstanding the deterioration in the reputation of the sector's brands and institutions. Reputation is defined by the Reputation Institute (Ranking Reputation Institute - Pulse 2010) as the result of a customer's perception of 7 indicators: Products/Services, Innovation, Workplace, Management Model, Citizenship, Leadership and Performance. In 2012, CGD was for the 5th consecutive year the "Most Valuable Portuguese Banking Brand" with a financial value of €385 million according to the Ranking Brand Finance Global Banking 500.

CGD is a member of the European Savings Banks Group, the Credit Local d'Europe and the EU's Committee of Clearing Banks (European Banking Authority or "EBA"). The CGD Group forms the largest Portuguese financial group by reference to its consolidated assets.

CGD is engaged in all areas of the Portuguese financial sector. It provides customers with a full range of financial products and services, ranging from traditional banking to investment banking, insurance, asset management, venture capital, brokerage, real estate and specialised credit services.

The CGD Group intends to maintain its dominant position in Portugal. Through its network of 1,352 branches, 491 of which are located outside Portugal, CGD continues to focus on developing its client base, offering banking services to the largest number of customers in Portugal. The development of cross-selling of group company products through its branch network continues to be one of the main objectives of the CGD Group.

The CGD Group has expanded into foreign markets mainly neighbouring regions in Spain and markets with historical or linguistic ties to Portugal, such as Mozambique, Cape Verde and Macao. It is present, through branches, subsidiaries and representative offices, in Spain (Banco Caixa Geral, SA, "Banco Caixa Geral"), with a total of 209 branches), France (French Branch with 46 branches), Madeira, the United Kingdom, Switzerland, Luxembourg, Germany, India, China, Macao, Mozambique (Banco Comercial e de Investimentos with 120 branches), Cape Verde (Banco Interatlântico and Banco Comercial do Atlântico with 42 branches in total), South Africa, São Tomé e Príncipe, Venezuela, Mexico, the Cayman Islands, the United States, Brazil and East-Timor. In recent years, the CGD Group has applied new strategies, dominated by initiatives involving the modernisation of electronic distribution channels, such as Caixa Directa On-Line (e-banking), Caixa Electrónica (e-channel for corporate), CaixaNet (IT infrastructures) and Bolsa Caixa Imobiliário (a channel dedicated to real estate and mortgages).

#### *Current Activities*

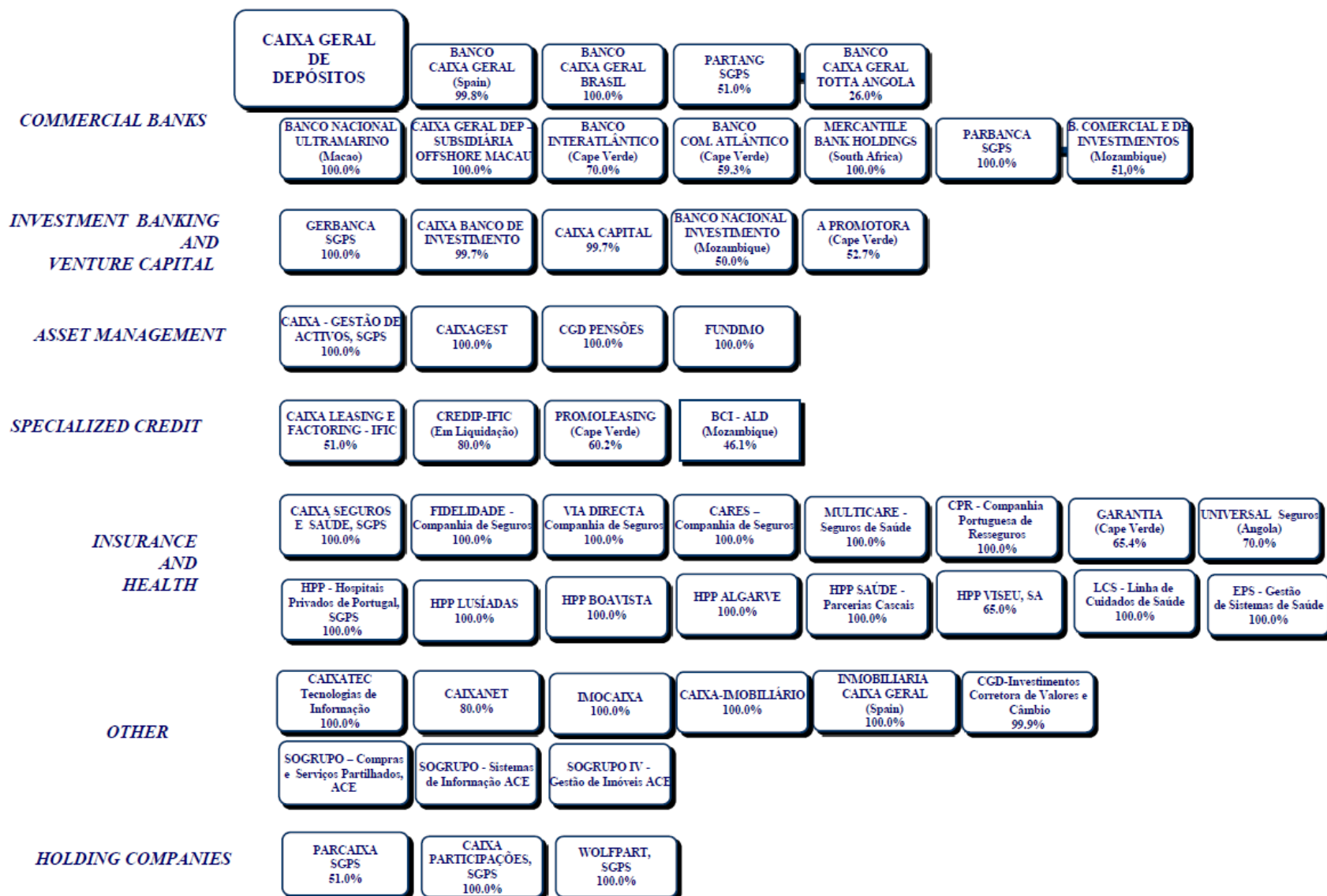
The CGD Group's activities include commercial and investment banking, insurance, leasing and factoring, asset management, venture capital, financial services and real estate management.

Set out below is a chart giving details of the principal activities and companies within the CGD Group, showing CGD's or its subsidiaries' equity interest where appropriate, as at 30 June 2012.



# *GROUP Caixa Geral de Depósitos*

30 June 2012



## SUMMARY FINANCIAL INFORMATION

Set out below in summary form are the audited, consolidated profit and loss accounts and the audited, consolidated balance sheets (showing net figures) of the CGD Group for the years ended 31 December 2010 and 31 December 2011. This financial information was prepared in conformity with International Accounting Standards/International Financial Reporting Standards (“IAS/IFRS”) as adopted by the European Union in accordance with Regulation (EC) 1606/2002 of 19 July of the European Parliament and Council and incorporated into Portuguese legislation through Bank of Portugal Notice 1/2005 of 21 February.

### *Consolidated Income Statement*

	Year ended 31 December	
	2010 (restated)	2011
	(*)	
	(€ million)	
Interest and similar income.....	4,388.1	5,368.2
Interest and similar costs .....	(2,972.8)	(3,682.9)
Income from equity instruments .....	197.5	146.7
<b>Net interest income .....</b>	<b>1,612.7</b>	<b>1,832.0</b>
Income from services rendered and commissions (net).....	502.3	504.6
Income from financial operations .....	124.4	(24.8)
Other net operating income .....	351.0	214.9
<b>Net operating income.....</b>	<b>2,590.4</b>	<b>2,526.7</b>
<b>Technical margin on insurance operations .....</b>	<b>509.0</b>	<b>505.0</b>
Premiums net of reinsurance .....	1,323.4	1,243.7
Result of investments relating to insurance contracts.....	206.8	143.4
Cost of claims costs net of reinsurance.....	(931.7)	(788.7)
Commissions and other income and cost relating to insurance contracts.....	(89.5)	(93.3)
<b>Net operating income from banking and insurance operations .....</b>	<b>3,099.4</b>	<b>3,031.8</b>
Staff costs .....	(1,041.1)	(995.7)
Other administrative costs .....	(721.2)	(695.0)
Depreciation and amortisation.....	(198.8)	(212.5)
Provisions and impairment on credit net of cancellations and reversals .....	(420.2)	(972.6)
Other asset impairment net of reversals and recovery .....	(354.7)	(701.1)
Result of associated companies .....	7.1	9.5
<b>Income before tax and minority interest .....</b>	<b>370.5</b>	<b>(535.6)</b>
<b>Income tax .....</b>	<b>(66.8)</b>	<b>106.4</b>
Current.....	(129.2)	(98.4)
Deferred.....	62.4	204.9

*Consolidated Income Statement*

	Year ended 31 December	
	2010 (restated)	2011
	(*)	
	(€ million)	
<b>Consolidated net income for the year</b> .....	<b>303.7</b>	<b>(429.2)</b>
Minority interest .....	(48.8)	(59.2)
<b>Net income attributable to the shareholder of CGD</b> .....	<b>254.9</b>	<b>(488.4)</b>

(\*) Restated accounts considering the changes in accounting policies in recognition of actuarial gains and losses associated (IAS19).

*Consolidated Balance Sheet*

	As at 31 December	
	2010 (restated)	2011
	(*)	
	(€ million)	
<b>Assets</b>		
Cash and cash equivalents at central banks .....	1,468.8	2,704.5
Cash balances at other credit institutions.....	1,265.0	986.2
Loans and advances to credit institutions .....	3,424.2	4,956.1
	6,158.0	8,646.8
Financial assets at fair value through profit or loss .....	4,542.5	4,131.7
Available-for-sale financial assets .....	23,855.6	16,843.6
Available financial assets with repo agreements .....	1,416.9	778.0
Unit-linked investments.....	732.5	584.9
Hedging derivatives.....	114.9	108.1
Held-to-maturity investments .....	-	2,837.4
	30,662.3	25,283.7
Loans and advances to customers.....	81,907.2	78,247.6
Non-current assets held for sale.....	423.4	473.5
Investment property.....	396.4	459.1
Tangible assets.....	1,150.0	1,153.9
Intangible assets.....	419.4	402.1
Investments in associates.....	28.5	35.9
Current tax assets.....	90.3	87.8
Deferred tax assets.....	1,131.1	1,928.7
Technical provisions for outwards reinsurance .....	264.6	226.2
Other assets.....	3,125.8	3,620.0
<b>Total assets</b> .....	<b>125,756.9</b>	<b>120,565.3</b>

(\*) Restated accounts considering the changes in accounting policies in recognition of actuarial gains and losses associated (IAS19).

Consolidated Balance Sheet

As at 31 December

	2010 (restated) (*)	2011
	(€ million)	
<b>Liabilities</b>		
Resources of central banks and other credit institutions.....	14,603.7	15,861.0
Customer resources.....	67,680.0	70,587.5
Liability of unit-linked products .....	732.5	584.9
Debt securities .....	19,306.7	14,923.3
	<b>87,719.3</b>	<b>86,095.7</b>
Financial liabilities at fair value through profit or loss.....	1,712.1	1,918.5
Hedging derivatives.....	166.0	93.1
Provisions for employee benefits.....	530.2	497.5
Provisions for other risks .....	273.2	390.0
Technical provisions for insurance contracts.....	5,742.9	4,607.6
Current tax liabilities .....	57.8	52.5
Deferred tax liabilities .....	180.9	166.2
Other subordinated liabilities.....	2,800.2	2,075.4
Other liabilities .....	4,235.6	3,470.6
<b>Total liabilities .....</b>	<b>118,022.0</b>	<b>115,228.0</b>
Share capital .....	5,050.0	5,150.0
Fair value reserves .....	(507.4)	(2,078.2)
Other reserves and retained earnings .....	1,407.1	1,708.7
Net income attributable to the shareholder of CGD .....	254.9	(488.4)
Minority interests.....	1,530.4	1,045.2
<b>Total shareholder's equity .....</b>	<b>7,735.0</b>	<b>5,337.3</b>
<b>Total liabilities and shareholder's equity.....</b>	<b>125,756.9</b>	<b>120,565.3</b>

(\*) Restated accounts considering the changes in accounting policies in recognition of actuarial gains and losses associated (IAS19).

The following table shows certain key ratios for the CGD Group as at 31 December for each of the years set out:

<i>Structural Ratios</i>	As at 31 December (%)	
	2010	2011
Customer loans <sup>(1)</sup> /customer deposits .....	136.0	122.2
Customer loans <sup>(1)</sup> /net assets .....	65.1	64.8
Mortgages/customer loans <sup>(2)</sup> .....	45.1	46.7
<i>Profitability and Efficiency Ratios</i>		
Return on equity (before tax) <sup>(3)</sup> .....	5.0	(8.0)
Return on equity (after tax) <sup>(3)</sup> .....	4.1	(6.4)
Return on assets (before tax) <sup>(3)</sup> .....	0.29	(0.43)
Return on assets (after tax) <sup>(3)</sup> .....	0.24	(0.35)
Net operating income <sup>(4)</sup> /average net assets .....	2.5	2.5
Cost-to-income <sup>(4)</sup> .....	63.3	62.6
Operating costs based on average net assets .....	1.57	1.54
Employee Costs based on net operating income .....	33.7	32.7
<i>Asset Quality Ratios</i>		
Non-performing credit ratio <sup>(5)</sup> .....	3.1	4.3
Non-performing credit (net) / total credit (net) <sup>(5)</sup> .....	0.04	0.2
Overdue credit / total credit .....	2.9	3.9
Credit more than 90 days overdue /total credit.....	2.6	3.6
Accumulated impairment /overdue credit.....	105.3	105.0
Accumulated impairment /credit more than 90 days overdue .....	117.4	116.5
<i>Capital Ratios</i>		
Solvency ratio for the purpose of the Bank of Portugal.....	12.3	11.6
Tier 1 for the purpose of the Bank of Portugal.....	8.9	9.0

(1) *Customer loans after impairment*

(2) *Customer loans before impairment*

(3) *Considering average shareholders' equity and net asset values*

(4) *Include income from associated companies*

(5) *Indicators calculated in accordance with Bank of Portugal Instructions*

*Consolidated Statements of Changes in Equity for the years ended 31 December 2010 and 2011*

*(Amounts expressed in € million)*

	<i>Share Capital</i>	<i>Fair value Reserve</i>	<i>Other reserves and retained earning</i>		<i>Total</i>	<i>Net income for the year</i>	<i>Sub-total</i>	<i>Minority interest</i>	<i>Total</i>
			<i>Other reserves</i>	<i>Retained earnings</i>					
<b>Balances at 31 December 2009</b>	4,500	(331)	1,644	(189)	1,455	279	5,902	1,254	7,157
<i>Changes in accounting policies in recognition of actuarial gains and losses associated (IAS19)</i>	—	—	(231)	—	(231)	—	(231)	—	(231)
<b>Balances at 31 December 2009 (restated)</b>	4,500	(331)	1,413	(189)	1,223	279	5,671	1,254	6,925
<i>Appropriation of net income for 2009:</i>									
<i>Transfer to reserves and retained earnings</i>	—	—	86	23	109	(109)	—	—	—
<i>Dividends paid to the State</i>	—	—	—	—	—	(170)	(170)	—	(170)
<i>Other entries directly recorded in equity:</i>									
<i>Measurement gain / losses on available-for-sale financial assets</i>	—	(176)	(5)	—	(5)	—	(181)	4	(177)
<i>Recognition of actuarial gains and losses associated (IAS19)</i>	—	—	122	—	122	—	122	—	122
<i>Currency Changes</i>	—	—	49	—	49	—	49	4	53
<i>Other</i>	—	—	(8)	—	(8)	—	(8)	1	(7)
<i>Total gains and losses for the year recognised in equity</i>	—	(176)	158	—	158	—	(18)	9	(9)
<i>Share capital increase</i>	550	—	—	—	—	—	550	—	550
<i>Changes in Group perimeter</i>	—	—	—	—	—	—	—	250	250
<i>Registration of put options to acquire minority interests – Partang</i>	—	—	(83)	—	(83)	—	(83)	—	(83)
<i>Acquisition of preference shares by CGDF</i>	—	—	—	—	—	—	—	(14)	(14)
<i>Dividends paid on preference shares and other dividends paid to minority interest</i>	—	—	—	—	—	—	—	(18)	(18)
<i>Reclassification of unrealised gains</i>	—	—	(23)	23	—	—	—	—	—
<i>Net income for the year</i>	—	—	—	—	—	255	255	49	304
<b>Balances at 31 December 2010 (restated)</b>	5,050	(507)	1,551	(144)	1,407	255	6,205	1,530	7,735

	<i>Other reserves and retained earning</i>					<i>Net income for the year</i>	<i>Sub-total</i>	<i>Minority interest</i>	<i>Total</i>
	<i>Share Capital</i>	<i>Fair value Reserve</i>	<i>Other reserves</i>	<i>Retained earnings</i>	<i>Total</i>				
<i>Balances at 31 December 2010 (restated)</i>	5,050	(507)	1,551	(144)	1,407	255	6,205	1,530	7,735
<i>Appropriation of net income for 2010:</i>									
<i>Transfer to reserves and retained earnings.</i>	—	—	230	24	255	(255)	—	—	—
<i>Other entries directly recorded in equity</i>									
<i>Measurement gain / losses on available-for-sale financial assets</i>	—	(1,571)	3	—	3	—	(1,568)	(1)	(1,569)
<i>Changes in accounting policies in recognition of actuarial gains and losses associated (IAS19)</i>	—	—	22	—	22	—	22	—	22
<i>Currency changes</i>	—	—	(12)	—	(12)	—	(12)	13	2
<i>Others</i>	—	—	(5)	—	(5)	—	(5)	(3)	(8)
<i>Total gains and losses for the year recognised in equity</i>	—	(1,571)	8	—	8	—	(1,563)	9	(1,554)
<i>Share capital increase</i>	100	—	(100)	—	(100)	—	—	—	—
<i>Changes in Group perimeter.</i>	—	—	—	—	—	—	—	(68)	(68)
<i>Registration of put options to acquire minority interests – Partang</i>	—	—	12	—	12	—	12	—	12
<i>Acquisition of preference shares issued by Caixa Geral Finance</i>	—	—	126	—	126	—	126	(459)	(333)
<i>Dividends paid on preference shares</i>	—	—	—	—	—	—	—	(27)	(27)
<i>Reclassification between reserves and retained earnings</i>	—	—	6	(6)	—	—	—	—	—
<i>Net income for the year</i>	—	—	—	—	—	(488)	(488)	59	(429)
<i>Balances at 31 December 2011</i>	5,150	(2,078)	1,834	(125)	1,709	(488)	4,292	1,045	5,337

*Consolidated Cash Flow Statements*

	As at 31 December	
	2010	2011
	(€ million)	
Operating activities		
Interest, commissions and similar income received.....	5,031	5,891
Interest, commissions and similar costs paid.....	(2,435)	(2,857)
Premiums received (insurance).....	1,335	1,258
Cost and claims paid (insurance).....	(1,619)	(1,857)
Recovery of principal and interest.....	35	36
Payments to employees and suppliers.....	(1,705)	(1,640)
Payments and contributions to pension funds.....	(99)	(40)
Other results.....	793	1,249
	<u>1,337</u>	<u>2,042</u>
(Increases) decreases in operating assets:		
Loans and advances to credit institutions and customers.....	(2,686)	1,348
Assets held for trade and other assets at fair value through profit or loss ...	1,102	270
Other assets.....	12	(1,082)
	<u>(1,571)</u>	<u>536</u>
Increases (decreases) in operating liabilities:		
Resources of central banks and other credit institutions.....	8,123	1,245
Customer resources.....	2,210	3,472
Other liabilities.....	(772)	(1,928)
	<u>9,560</u>	<u>2,789</u>
Net cash from operating activities before taxation.....	<u>9,326</u>	<u>5,367</u>
Income tax.....	(93)	(60)
Net cash from operating activities.....	<u>9,234</u>	<u>5,307</u>
Investing Activities		
Dividends received from equity investment.....	197	135
Acquisition of investments in subsidiary and associated companies, net of disposals.....	28	2
Acquisition of available-for-sale financial assets, net of disposals.....	(2,971)	1,603
Acquisition of tangible and intangible assets and investment property, net of disposals.....	(178)	(203)
Net cash from investing activities.....	<u>(2,923)</u>	<u>1,536</u>
Financing Activities		
Interest on subordinated liabilities.....	(81)	(64)
Interest on debt securities.....	(526)	(615)
Dividends paid on preference shares.....	(9)	(10)
Issue of subordinated liabilities, net of repayments.....	(337)	(739)
Issue of debt securities, net of repayments.....	(6,211)	(4,485)
Share capital increase.....	550	-
Dividends paid.....	(170)	-
Net cash from financing activities.....	<u>(6,786)</u>	<u>(5,914)</u>
Increase (decrease) in cash and cash equivalents.....	<u>(475)</u>	<u>929</u>



### Consolidated Cash Flow Statements

	As at 31 December	
	2010	2011
	(€ million)	
Cash and cash equivalents at the beginning of year.....	3,164	2,734
Effects of the exchange rate change on cash and cash equivalents .....	45	28
Net change of cash and cash equivalents .....	(475)	929
Cash and cash equivalents at the end of year.....	2,734	3,691

### Consolidated Statement of Comprehensive Income

	Years ended 31 December	
	2010	2011
	(restated)(*)	
	(€ million)	
Adjustments to fair value of available-for-sale financial assets		
Gains / (losses) arising during the year .....	(628)	(2,671)
Adjustments of fair value reserves reclassification to results		
Recognition of impairment for the year .....	344	491
Disposal of available-for-sale financial assets .....	49	(47)
Tax effect .....	58	657
Currency changes		
Change in period .....	100	3
Adjustments of exchange reserves reclassification to results		
Recognition of impairment for the year of available-for-sale financial assets	(19)	—
– Investment units in foreign currency .....		
Disposal of available-for-sale financial assets	(36)	—
– Investment units in foreign currency .....		
Recognition of foreign exchange gains and losses in connection with the acquisition of control of Partang SGPS .....	1	—
Tax effect .....	6	(2)
Post employment benefits - Actuarial gains and losses		
Changes in the exercise.....	160	30
Tax effect .....	(38)	(8)
Other .....	(7)	(8)
Total comprehensive net income for the year recognized in reserves.....	(9)	(1,554)
Net income for the year .....	304	(429)
Total comprehensive net income for the year, of which .....	295	(1,983)
Non controlling interest .....	(58)	(68)
Total comprehensive net attributable to the shareholder of CGD .....	237	(2,051)

(\*) Restated accounts considering the changes in accounting policies in recognition of actuarial gains and losses associated (IAS19).

## OVERVIEW OF THE PORTUGUESE ECONOMY AND THE FINANCIAL PERFORMANCE OF THE CGD GROUP

### General Overview

In Portugal, 2011 was marked by the beginning of the economic adjustment process in the form of a reduction of the fiscal deficit and gradual deleveraging of the private sector, including the banking sector.

Economic activity in 2011 decreased 1.6 per cent.. This performance resulted from consecutive negative changes in each quarter in private and government consumption and a sharp fall in investment, notwithstanding the good performance of net exports.

Both private consumption, which has decreased 3.9 per cent., and government consumption, which has also decreased 3.9 per cent., contributed to the poor economic performance. The challenges of reducing the budget deficit and the consequent adoption of austerity measures under the Economic and Financial Assistance Programme for Portugal led to a decrease in the contribution of these components to economic growth, while at the same time consumer confidence worsened during the year.

In 2011 there was a reduction of 11.4 per cent. in investment, partly as a consequence of the level of economic activity and the prospects for domestic demand, as well as the decline in public investment. The contraction was most evident at the level of investment in machinery and equipment and in construction.

In terms of external trade, the role of exports increased 7.4 per cent., while imports decreased 5.5 per cent., mainly derived from the drop in domestic demand. This behaviour was associated with a marked increase in foreign demand - notwithstanding the worldwide economic slowdown - with an increase of 16.4 per cent. in new orders originated abroad, on a year-on-year basis.

As for inflation, the Portuguese HICP recorded an annual average rate of 3.6 per cent. in 2011, a result mainly of increases in the price of energy and the addition of several indirect taxes, notably VAT, ISP ("Gasoline Tax") and Consumption Tax on Tobacco; nevertheless, it stayed at 0.9 percentage points above the Euro Area ("EA") average.

The average unemployment rate in 2011 remained high, and even increased in comparison to the previous year. In 2011, the unemployment rate stood at 12.7 per cent., reaching a level of approximately 706,000 unemployed. This represents an increase of 17.2 per cent. over the previous year.

There was a decrease of 2.6 per cent. in the aggregate liquidity M3 (a broad measure of the money supply within the economy), excluding currency in circulation, on an annual basis. We should highlight the behaviour of deposits with an increase of 11.3 per cent., representing acceleration in comparison to the preceding two years, in which an essential contributory factor was the behaviour of individual customers' and emigrants' deposits.

Total domestic credit decreased by 2.8 per cent.. Loans and advances to central and local government, net of liabilities were down 31.1 per cent., whereas loans to non-financial companies contracted 3.6 per cent. and loans and advances to individual customers were down by 2.2 per cent..

During 2011, as a response to the signs of a possible acceleration of economic activity and fears of an increase in inflationary pressures in the EA, the European Central Bank ("ECB") announced two increases

in its key rate, in April and July 2011 respectively, in both cases of 25 basis points, to 1.5 per cent., a level that the European monetary authority has considered as expansionist.

The maintenance and intensification of tensions in the public debt market and slowdown in economic activity led to a situation in which the second semester of 2011 was marked by the inversion of monetary policy. After upgrading risk factors in the third quarter, the ECB announced two reductions of its key reference rates, each of 25 bps, in the last quarter of the year, down again to the former minimum level of 1.00 per cent.. The ECB also reinforced its unconventional measures in announcing new liquidity injection auctions for maturities of 6 and 12 months, in addition to two auctions with a maturity of 36 months.

In the first semester of 2011 the trend in interest rates used as indexes for credit operations continued to increase and reached its highest level of the last two years at the start of the summer. However, the change in monetary policy led to an inversion of this trend with interest rates falling until the end of the year.

2011 closed with a fresh increase in Euribor rates. As a result of the increases verified in the first half, the variations in the lending rates were higher than those noted in the preceding year except for maturities of one month, having oscillated between 0.242 bps for the said maturity and 0.44 bps over 12 months.

### ***Exchange Rates***

In December 2011, the average exchange rate for the euro against the dollar stood at \$1.318, a reduction of 0.3 per cent. over the same period in the previous year. The euro also fell against other major currencies, particularly against sterling, against which it has depreciated 0.5 per cent., and against the yen, losing 6.9 per cent.. The behaviour of the single European currency during the year fluctuated between periods, namely the first semester of 2011, where it benefited from the economic recovery in the region and others in which it was constrained by the public debt situation experienced in Europe as well as fluctuations verified in the ECB's key rate.

### ***Capital Markets***

Notwithstanding doubts related to the sovereign debt crisis, inherited from the preceding year, the first few months of 2011 continued to be marked by expectations of an economic upturn, with the announcement of positive economic indicators. Central banks upgraded growth estimates at the time and, in several cases, announced higher rates, owing to a spurt of inflation in several blocks. This was accompanied by ever more visible signs of capital market stabilisation and a decline in risk aversion by investors.

The natural catastrophes in Japan, conflicts in North Africa and the Middle East and intensification of the sovereign debt crisis in the EA, particularly following increased fears over the restructuring of Greece's public debt, led to lower investor confidence from the second quarter, and was clearly apparent in the drop in the prices of risk assets, coming after the cooling of the main economies. Whereas the central banks, including the Fed, downgraded their growth estimates, in the case of the EA, the ECB governor Jean-Claude Trichet issued a warning on increased risks to financial stability owing to the debt crisis.

The third quarter of 2011 was characterised by a marked decline in investor confidence, with signs of cooling economic growth and an intensification of the sovereign debt crisis. This took on a different form in the EA, after the spread of contagion to Italy and Spain was witnessed. The crisis, to a certain extent, spread to the US, with a subsequent S&P rating downgrade from AAA to AA+, albeit without any lasting effects

on investor confidence in US public debt. Share indices in the US and Europe were sharply down, making the third quarter the most negative since the collapse of Lehman Brothers.

Together with the worsening sovereign debt crisis in Spain and Italy, the fourth quarter of 2011 was marked by the spread of contagion to other countries in the centre of Europe such as France, Belgium and Holland. The announcement of positive economic indicators in the US and China contributed, however, to a recovery of market sentiment in the last few months of the year.

Behaviour, in 2011, was therefore volatile. In general, the more defensive asset categories realised gains, as opposed to those perceived to be more at risk, which made losses.

## **CGD Group**

### ***Assets and Liabilities***

At the end of 2011, net assets of the CGD Group amounted to €120.6 billion, a decrease of 4.1 per cent., or €5.2 billion, over the previous year, reflecting the effect of its current balance sheet deleveraging process. The main source of the Group's Net Assets was the activity of CGD individually with 74.4 per cent. of the total (72.6 per cent. in 2010), Caixa Seguros e Saúde with 8.9 per cent., Banco Caixa Geral in Spain with 4.6 per cent., Caixa Leasing e Factoring with 2.5 per cent. and BNU (Macau) with 2.3 per cent.

The following table shows the consolidated net assets of the principal companies in the CGD Group, excluding inter-company balances, as at 31 December for each of the years set out:

	<i>As at 31 December</i>			
	<i>2010</i>		<i>2011</i>	
	<i>Value</i>	<i>%</i>	<i>Value</i>	<i>%</i>
	(€ million)		(€ million)	
Caixa Geral de Depósitos <sup>(1)</sup> .....	91,288	72.6	89,698	74.4
Caixa Seguros e Saúde .....	13,323	10.6	10,676	8.9
Banco Caixa Geral (Spain).....	6,352	5.1	5,488	4.6
BNU-Banco Nacional Ultramarino, SA (Macao).....	2,467	2.0	2,730	2.3
Caixa – Banco de Investimento.....	1,856	1.5	1,980	1.6
Caixa Leasing and Factoring.....	3,659	2.9	3,066	2.5
Banco Comercial Atlântico (Cape Verde).....	594	0.5	604	0.5
Banco Comercial e de Investimentos (Mozambique) .....	991	0.8	1,367	1.1
Mercantile Lisbon Bank Holdings .....	579	0.5	590	0.5
Partang (Banco Totta Angola).....	934	0.7	1,084	1.0
Other companies <sup>(2)</sup> .....	3,713	3.0	3,282	2.6
Consolidated net assets.....	125,757	100.0	120,565	100.0

(1) *Separate Operations*

(2) *Includes the units registered by the equivalent equity method.*

Cash, loans and advances to Credit Institutions amounted to €8.6 billion, while the resources obtained from the same entities totalled €15.9 billion, of which €9 billion was borrowed by CGD (domestic activity) from the ECB. CGD's total assets eligible for ECB funding operations at the end of December were €14.4 billion.

Loans and advances to customers (gross) totalled €81.6 billion, representing a decrease of €2.9 billion (down 3.4 per cent) when compared with the figures in December 2010.

About 78 per cent. of total loans and advances to customers come from CGD's domestic operations. Nonetheless, reference should be made to the contribution from international operations from Banco Comercial e de Investimentos (Mozambique) with a 33 per cent. increase of €237 million, and a 16.7 per cent. increase of €195 million by BNU Macau. Mention must also be made to the decrease of 9.3 per cent. of Bank Caixa Geral (Spain) of €533 million and of Caixa Leasing and Factoring, which has decreased 12.3 per cent. by €436 million.

In terms of credit structure, the Individual Customer Segment continued to account for a large proportion of total credit absorbing 49.2 per cent. of the total loans balance. Credit to Corporate represented 45.4 per cent. of the total. The credit balance to General Government stood at €4.4 billion, an increase of 19.9 per cent..

The balance of the credit to the service sector was directed primarily at the sub-segment "financial activities" with €7.8 billion, "Real estate" with €4 billion and "Wholesale and retail trade" with €3.4 billion.

Regarding credit to private individuals, the balance stood at €40.1 billion at the end of the year, a decrease of €0.6 billion (1.5 per cent), resulting from a decrease in "Housing" (1.4 per cent) and in "Other Purposes" (2.6 per cent). With regard to mortgage loans, the amount of new domestic deals in 2011 reached €1.2 billion – a significant decrease of 56.7 per cent. when compared with the preceding year -, and represented a market share in terms of production of 23.6 per cent..

The overall balance of deposits totalled €64 billion, supported essentially by time and savings deposits representing 70.7 per cent. of the total, which grew 11 per cent. (€4.5 billion) from the start of the year. From the total outstanding deposits, €52.3 billion concerned the domestic activity of CGD, representing 81.7 per cent. of total consolidated deposits. Among the branches and subsidiaries of the Group, we should refer to the balances in BNU Macau (€2.6 billion), Banco Caixa Geral (€2.5 billion) and France branch (€1.9 billion). There was an increase of 7.9 per cent. (€3.7 billion) in total deposits from individual customers and an increase of 40.8 per cent. (€1.2 billion) in the balance of total deposits of the public sector. In contrast, the balance derived from corporate contracted 9.13 per cent.

The balance of total funds raised by the Group (excluding interbank money market) fell 3.1 per cent. compared with the end of 2010, totalling €100.3 billion in 2011. However, not including funding from institutional investors, the total resources taken from customers showed an increase of 2.1 per cent. (€1.8 billion).

On balance sheet resources totalled €90.2 billion, due in large part to retail, whose balance reached €75.9 billion, representing an increase of 2.2 per cent. when compared to December 2010, and benefitted from the positive trends in customer deposits with an increase of 6.3 per cent. (€3.8 billion).

The balance of funds obtained from institutional investors through own issues decreased €5 billion, a fall of 25.7 per cent. when compared to December 2010, which was influenced mainly by the reduction of issuance under the ECP (European Commercial Paper) and USCP (United States Commercial Paper) programs and to a lesser degree the EMTN program. Mortgage bonds decreased by €1.3 billion, a decrease of 18.5 per cent. when compared to the end of 2010, reaching an outstanding amount of €7.1 billion.

## Shareholders' Equity

In 2011, the Group's equity capital amounted to €5.3 billion, representing a decrease of €2.4 billion (31 per cent) to the level at the end of 2010. This variation was negatively affected by the change in fair value reserves, which suffered a decrease of €1.6 billion when compared with the values in December 2010, of which €922 million corresponded to potential capital losses (not considering the tax effect) on bonds issued by the three vehicles held by BPN and guaranteed by the Portuguese State.

In November 2011, the Portuguese State has increased CGD's capital by €100 million to €5,150 million, by incorporating reserves to ensure greater stability and to strengthen the equity instruments needed by CGD as its main motivation, by maintaining solvency and capitalisation levels compliant with Basel III Accord requirements.

The following table sets out the capital position of CGD and the CGD Group as at 31 December 2010 and 2011, respectively, with their risk-weighted assets and Tier 1 capital ratio being calculated in accordance with the requirements of the Bank of Portugal.

## Consolidated Solvency Ratio

	(EUR million)		
	31-12-2010 (1)	31-12-2011 (2)	Change (2)-(1)
<b>A - Basis own funds (Tier I)</b> .....	<b>6,844</b>	<b>6,229</b>	<b>(615)</b>
Share capital .....	5,050	5,150	100
Reserves and retained earnings.....	1,162	1,175	13
Net income for the year .....	312	(477)	(789)
Non controlling interest .....	1,273	874	(399)
Impacts of the adoption of IAS ( <i>transitional regime</i> ) .....	94	70	(25)
<i>Deductions to basis own funds (*)</i> .....	<i>(1,048)</i>	<i>(562)</i>	<i>485</i>
<b>B - Complementary own funds (Tier II)</b> .....	<b>2,682</b>	<b>1,820</b>	<b>(862)</b>
Subordinated liabilities with unspecified maturity .....	156	1	(155)
Subordinated liabilities with specified maturity .....	2,680	2,089	(590)
Revaluation reserves.....	243	139	(104)
Other (*) .....	(397)	(410)	(13)
<b>C - Deductions to total basis own funds</b> .....	<b>(40)</b>	<b>(42)</b>	<b>(2)</b>
<b>D - Total eligible own funds (A+B+C)</b> .....	<b>9,486</b>	<b>8,007</b>	<b>(1,479)</b>
<b>E - Weighted risk positions</b> .....	<b>76,989</b>	<b>69,021</b>	<b>(7,969)</b>
Credit risk .....	67,660	63,667	(3,993)
Market risk .....	5,098	1,451	(3,647)
Operational risk .....	4,232	3,903	(329)

<b>Ratios</b>	<b>31-12-2010</b> (1)	<b>31-12-2011</b> (2)	<b>Change</b> (2)-(1)
<b>Tier I (A/E).....</b>	<b>8.9%</b>	<b>9.0%</b>	<b>0.1%</b>
<b>Core Tier I.....</b>	<b>8.8%</b>	<b>9.5%</b>	<b>0.7%</b>
<b>Tier II (B/E) .....</b>	<b>3.5%</b>	<b>2.6%</b>	<b>(0.9)%</b>
<b>Deductions (C/E).....</b>	<b>(0.1)%</b>	<b>(0.1)%</b>	<b>0.0%</b>
<b>Solvency ratio (D/E) .....</b>	<b>12.3%</b>	<b>11.6%</b>	<b>(0.7)%</b>

(\*) Include deductions of investments in insurance companies and credit institutions in which equity investments is  $\geq$  10 per cent..

The solvency ratio on a consolidated basis, calculated according to Basel II and Bank of Portugal rules, and including the results for the year, stood at 11.6 per cent. at the end of 2011. The Core Tier 1 Ratio was 9.5 per cent., having been reinforced by 0.7 percentage points by the end of 2010, notwithstanding the negative impact of rating downgrades on the Portuguese Republic. This ratio benefited from the coming into force of the prudential regulations under which domestic currency exposures to Regional and Local Authorities of Member States cease to be dependent on country risk. In addition to CGD's €100 million increase in share capital through the incorporation of reserves.

In turn, the Tier 1 ratio rose from 8.9 per cent. in 2010 to 9.0 per cent., lower than Core Tier 1, having been penalised by the repurchase of preference shares issued by the CGD Group in the scope of last September's exchange operation.

CGD's own funds totalled €4.7 billion, a decrease of 23.7 per cent. (€1.4 billion) when compared with the previous year, and were particularly affected by the deterioration of the negative revaluation reserves owing to the losses suffered in the period.

The solvency ratio of the individual activity of CGD, according to the regulatory framework of Basel II and calculated under Bank of Portugal rules, including retained earnings, was 12 per cent. at the end of 2011. The Tier 1 ratio improved, in turn, rising from 9.5 per cent. to 10.1 per cent..

### ***Income and Profit Ratios***

Consolidated net income of CGD was minus €488.4 million against a positive value of €254.9 million in 2010. This result reflected the recognition in the income statement of provisions and impairments on equity held by CGD and on securities held by the Group's insurance companies amounting to €1.674 billion. Credit impairment increased to €825.9 million and securities impairment to €613.1 million. These potential capital losses were already, for the most part, previously recorded at fair value reserves. The prolonged effect of this devaluation has led to the transfer to losses by way of impairment.

Out of the Group's gross operating income - €1.1 billion - €586 million derived from domestic activity and €256 million from international banking activity, while insurance and health contributed with €252 million.

Total net interest income in 2011, including income from equity instruments, totalled €1,832 million, an increase of 13.6 per cent. when compared with 2010, which was exclusively originated from net interest income (€270 million, increasing 19.1 per cent) while income from equity instruments contracted, totalling

€146.7 million, reflected the 25.7 per cent. decrease (€50.8 million) from the disposal of a significant part of CGD's equity investment in EDP, in 2010.

The complementary margin totalled €694.8 million, showing a decrease of €282.9 million (28.9 per cent.).

Net commissions totalled €504.6 million, a slight increase in comparison with 2010, of which those relating to credit contributed €142.4 million (25.2 per cent), and means of payments (€130.7 million, up 4.1 per cent.).

Special reference should be made to the 16.5 per cent. reinforcement of the contribution from international operations, offsetting almost all of the decrease in income from domestic banking operations.

Net operating income from Financial Operations registered a loss of €24.8 million, due to the instability of government debt markets, guided by the consequence of the higher risk premium and inversion of the interest rate cycle.

Other operating income totalled €214.9 million, as opposed to the equivalent figure of €351 million in 2010, which was influenced by capital gains on CGD's sale of its headquarters building to its employees pension fund in September 2010.

The Technical Margin from Insurance contributed €505 million to the Group's activity, representing a decrease of €4 million (0.8 per cent) in comparison with the previous year.

The amount of premiums received, net of reinsurance, amounted to €1,243.7 million, and investment income allocated to insurance contracts, for the amount of €143.4 million, comprised significant reductions of €79.7 million (down 6 per cent) and €63.4 million (down 30.6 per cent) over 2010. The same trend was recorded in claims net of reinsurance, which fell €142.9 million, representing a decrease of 15.3 per cent. to €788.7 million.

As a result of the developments described, the net operating income of banking and insurance activity amounted to €3,031.8 million, a decrease of 2.2 per cent. (€67.6 million) compared to the previous year.

Operating costs have decreased by 3 per cent. (€58 million) to €1,903.2 million. Variations in staff costs and supplies and outsourced services were down 4.4 per cent. (€45.4 million) and 3.6 per cent. (€26.2 million) respectively.

Given the developments described in structural costs and revenue from banking and insurance, the cost-to-income ratio of the CGD Group improved from 63.3 per cent. to 62.6 per cent., while this efficiency ratio for individual activity stood at 55.7 per cent..

Provisions and impairment of credit, net of reversals and recovery, totalled €825.9 million in 2011, and net impairment of other assets totalled €701.1 million, of which €613.1 million related to equity, namely PT, BCP, ZON and BRISA, formerly recognised in investment funds and securities portfolios of the CGD Group's insurance companies, particularly their exposure to Greek debt.

Current tax plus the extraordinary banking sector contribution of €29.4 million, totalled €98.4 million. Negative deferred tax was, in turn, €204.9 million.



Reflecting the drop in earnings, gross return on equity (“ROE”) stood at -8 per cent. (-6.4 per cent. before tax) and gross return on assets (“ROA”) stood at -0.43 per cent. (-0.35 per cent. before tax).

### ***Risk Management***

In CGD Group, risk management operations are centralised. Risk management encompasses the assessment and control of the CGD Group’s credit, market and liquidity risks, based on the principle of the separation of functions between the commercial and risk areas.

The risk management area is part of the support structure and is present:

- In the Assets and Liabilities Management Committee (ALCO), in conjunction with business generating areas and with members of the executive committee. Under the terms of an executive committee resolution, the committee was, *inter alia*, given the following responsibilities:
  - The promotion of the Assets and Liabilities Management (ALM) process and actions and procedures necessary for the implementation thereof in consolidated terms and on a separate basis for diverse CGD Group entities;
  - The preparation of proposals for strategic guidelines on CGD Group’s commercial and risk areas.
  - Financing and liquidity policy;
  - The preparation of proposals for strategic guidelines on the risk management policy, defining indicators, limits and management rules;
  - The preparation of proposals for strategic guidelines on CGD Group’s capital ratios.
- In the expanded credit board, in conjunction with the business generation areas, the legal area, credit recovery area and the executive committee. Under the terms of an executive committee resolution, the board was, *inter alia*, given the following responsibilities:
  - Authorisation of operations, which being part of the internal regulatory framework require the board’s assessment;
  - Analysis of non-performing loans;
  - Definition of the credit policies strategy and respective risk.

### ***Risk Profile and Respective Evolution***

CGD Group’s operations have consistently tended to adopt an adequate risk aversion approach, although there is room for an innovation and a market monitoring component in the products to which it is exposed.

## *Principles and Policies*

The furtherance of CGD Group's risk profile enshrines the following principles:

- Focus on risk-weighted return;
- Sustained growth and business diversification;
- Definition and monitoring of the use of limits by type of risk;
- Proactive risk management;
- Prompt response from the risk management area.

## *Credit Risk*

Credit risk is associated with losses and the level of uncertainty over a customer/counterparty's capacity to meet its obligations. Given the nature of banking activity, credit risk is particularly important, owing to its material nature, notwithstanding its interconnection with other risks.

## *Main Developments in 2011*

The main non-recurring activity in the first semester of the year was the discussion with the supervisor on the candidature for the use of internal models for the prudential calculation of own funds requirements for credit risk presented at the end of 2010.

In the second semester of the year, endeavours concentrated on the response to the Special Inspections Programme in which the Bank of Portugal, supported by independent auditors, assessed CGD as regards:

- The quality of the bank's assets;
- Its credit risk management practices; and,
- The quality of its periodic prudential reports.

As publically announced, "The assessment concluded that the global amount of impairment registered in the Group's consolidated accounts was adequate". It also concluded that "The aggregate impact of the results of the Special Inspections Programme on the assessment of CGD Group's solvency, on 30 June 2011, would translate into an increase of the Tier 1 ratio from 8.5 per cent. to 8.6 per cent., remaining above the minimum level of 8 per cent. required at the said date. It is estimated that the above referred to regulatory changes will have an additional positive impact of 0.2 percentage points on this ratio."

## ***Methodology***

### *Risk analysis*

The Group has been implementing a system of identification, valuation and control of the risk of its loan portfolio, covering all customer segments and being pro-active when granting credit and in monitoring risk throughout the life of operations.

- In the case of corporate with a high level of exposure, the assessment of credit risk, besides the support of internal rating models (incorporating both financial information and elements of a qualitative nature), is subject to individual assessment by a team of analysts who prepare reports analysing credit risk and issue an independent opinion on the inherent credit risk. This analysis is done on a periodic basis and whenever there are changes in the relationship with the client and endogenous and/or exogenous factors that recommend a reassessment of risk are identified.
- In the retail sector, the assessment of credit risk is supported by the use of statistical tools for risk assessment (rating and scoring models) for a set of internal regulations that establish objective criteria to be followed in lending, as well as a delegation of responsibilities based on the credit ratings assigned to customers.

Impairment credit model – this model was developed by the CGD Group under the scope of IAS 39, and allows for the identification and monitoring of loans with objective evidence of impairment and the credits showing evidence of impairment.

The risk factors used in the model of credit impairment are revised annually, thus, adjusting the impairment analysis to the effects of current market conditions that had not been seen before. Using the credit impairment model, we can analyse and process the loan portfolio, which is subdivided in accordance with the following approaches:

- Collective analysis of impairments – for the exposures individually considered as not significant, the impairment provisions for sub-segments of risk are calculated for assets with similar risk characteristics (credit segment, type of collateral, history of payment behaviour, amongst others); and
- Individual impairment analysis – for clients with exposures considered significant, an assessment, which involves the commercial areas of CGD, the recovery credit area and the credit risk management area, is made individually, on a quarterly basis.

The individual evaluation of clients with the most significant exposures is focused mainly on the following criteria:

- Compliance with contractual terms agreed with the CGD Group;
- Assessment of the economic-financial situation;
- Forecast changes in client activity;

- Verification of the existence of operations involving overdue credit and interest within the CGD Group and/or the financial system;
- Adequacy of guarantees and collateral to offset the amount of the loan; and
- Analysis of historical information on the behaviour and timely payment of customers.

For significant exposures in which there are no objective signs of impairment, a collective provision is determined, in conformity with the risk factors determined for loans with similar characteristics.

### *Limits*

In order to support the process of credit analysis, the CGD Group has developed and implemented a new methodology for attributing credit limits (a model which defines limits of exposure) for short-term business, with parameters defined on the basis of economic-financial indicators and risk levels, making it possible to estimate the recommended short-term risk exposure to each client. The model allows the use of a single set of clear and objective rules for calculating the reference levels which are only indicative and will be used as a basis for calculating the referred limits, which will subsequently be the object of analysis on an individual basis for validation. This model is applied to companies both in the SME segment as well as small businesses and major companies.

Risk assessment associated with lending to financial institutions is based on internally established limits. These limits are defined taking into consideration the entity's financial sector in comparison to its peers, its rating, value at risk, as well as other qualitative factors. Compliance with the limits, credit exposure and risk profile parameters of counterparties and groups are monitored regularly by analysts.

### *Risk Control*

The credit portfolio is regularly monitored in terms of its composition and quality. The analysis includes the splitting up of the portfolio by product, customer segmentation, level of exposure, operating sector and geographical area, and a loan-to-value (LTV), debt to income rate and portfolio rating is produced for this purpose. In 2011, work was initiated on the preparation of several specific reports per product or sector of activity.

Follow-up work on the performance of the internal development of risk classification models is also particularly important. This exercise, which processes the information from the use of these models, provides indications of their continued adequacy, guidelines on eventual re-estimation of needs and information on type of use.

For CGD, the monitoring process of risk rating models is particularly important. This action gives powerful indications of its sustainability, acquired by processing information obtained from the use of internally developed models. This is a way to find out if there is a need for new estimations of the models used as well as providing guidance on the need for reassessment of these models and information about how they should be used.

## *Recovery*

The most striking aspect of the activity of the Credit Recovery Division (DRC) in 2011 was the exponential increase in the use of bankruptcy procedures both by individual customers and in the companies' area.

This situation required the allocation of customers that were still in the commercial area to the Credit Recovery Division, often without any default with Caixa having been recorded. It also affected companies whose inclusion in the recovery area on account of their former economic-financial situation and the large amount of their loans, which would previously have been unthinkable.

Added to this situation of customers involved in insolvency proceedings is the fact that, in 2011, there was also a large number of guarantees called in by the tax authorities and social security services which, affecting real guarantees covering Caixa loans, forced CGD to file credit payment requests within very short periods and in proceedings which were also often to be found in commercial areas.

The aspects referred to above, in addition to increasing legal costs, have put the activity of the Credit Recovery Division under great pressure in the judicially enforced collection area, making it impossible to concentrate on credit recovery at the extrajudicial negotiations stage which continued to be the division's strategic objective in 2011.

Notwithstanding the unfavourable environment affecting Portuguese society, it was possible to control the increase in the level of default in the individual customers segment, whose overdue credit ratio on mortgage loans (more than 30 days) was 2.78 per cent. in December 2011, in comparison to 2.54 per cent. in December 2010. This situation is reflected in the number of individual customers processed by DRC (13,756), which was very similar to the 2010 figure of 13,898, with the elimination of 13,273 customers from this negotiating area as against 14,895 in 2010. The negotiating area portfolio in December 2011 comprised 12,962 customers with liabilities of €903,525 million.

In the area of loans and advances to companies, the situation in DRC reflects the marked change in the default ratio in Caixa, which increased from 2.96 per cent. in December 2010 to 5.29 per cent. in December 2011. The negotiating area took in 1,710 customers (against 781 in 2010) with the elimination of 1,002 customers (against 798 in 2010), with the corporate negotiating area having 1,460 customers with liabilities of €457,308 million in December 2011.

As stated, the phenomenon occurring in 2011 involved the direct transfer of companies from the commercial area to DRC's legal recovery area, which generated a 14 per cent. increase in liabilities on loans and advances to companies being processed by the Division (€2,118.4 million, in December 2011), whereas legal proceedings involving the liabilities of individual customers represented €1,197,984 million on the same date, up 8 per cent. in 2011.

The Division, responding to such an increase in customers' liabilities, maintained its existing organisational structure, without extra human resources and made improvements to its internal operating processes, admitting the need for changes to procedures involving the whole of Caixa's commercial universe to provide for the increase in customers, individuals and companies in financial difficulties.

In 2011, the Division achieved €328.743 million in collections (most of which extra judicially) and arranged loan settlements of €829.770 million at 88 per cent. of the total achieved in 2010, owing to the worsening of the financial conditions of individual customers and companies in that year.

### *Regulatory Capital Requirements*

For derivative instruments, repurchase transactions, borrowing or lending of securities or commodities, long settlement transactions and lending transactions with a tax margin, the method of marking to market (mark-to-market), as defined in Part 3 of Annex V of Bank of Portugal Notice 5/2007, is applied, consisting of adding to the operation's market value, when positive, its future valuation potential, resulting from the multiplication of the notional amount by a prudential factor based on the type of contract.

For credits and receivables, the standard pattern is followed as established in Bank of Portugal Notice 5/2007. The document “Market Discipline 2011”, scheduled for publication in the first semester of 2012, will provide detailed information on the regulatory capital requirements of the CGD Group.

### *Stress testing*

This is used to provide an analytical view of CGD Group's position in terms of solvency when subjected to extreme scenarios. To this end, in 2011 and in addition to the stress tests used for internal management purposes and those required by Bank of Portugal under Instruction 32/2009, CGD participated in the transversal “EU wide stress test exercise”, coordinated by the EBA in cooperation with the ECB and the European Commission and those required as a complement to the Capital Funding Plan, under the Memorandum of Understanding.

Capital requirements for internal operation – Results from the use of internally estimated credit risk factors: probability of default (“PD”); loss given default (“LGD”); and equivalent credit conversion factors (“CCF”).

### ***Market Risk***

Market risk can give rise to potential negative impacts on the results or capital of the institution arising from adverse movements in asset prices in the portfolio compared with the level at which they are traded in the market.

There is market risk in instruments such as shares, funds, commercial paper, bonds, deposits/loans, foreign exchange spot and forward, interest rate derivatives, exchange rate derivatives, on shares/indices/baskets, commodities and credit. Exposure to this type of risk is thus transversal to several risk categories: price, interest rate, exchange rate volatility and commodities. The CGD Group has a large concentration of market risk in the first three categories as a result of the high amount of simple and liquid net assets in its portfolio; notwithstanding the above, there is also room for innovation and market monitoring in products where the CGD Group has market exposure. Execution of market transactions and associated risk control are completely segregated.

### *Limits*

Establishing and monitoring limits is of extreme importance for market risk mitigation. These limits are submitted to the Executive Committee by the Risk Department for discussion and approval. The management rules established for each portfolio or business unit include limits on market risk and further limits on the types of instruments allowed and maximum allowable levels of losses, amongst others. There are specific rules for the risk management of foreign exchange positions of the units in the CGD Group.

Market risk hedging operations are decided by portfolio managers or business units, taking into account risk limits and authorised instruments in which the risk manager area collaborates in assessing the impact of total risk hedges incurred or the alteration of authorised risk under the circumstances.

Values and limits of the foreign exchange position of the CGD Group are calculated in terms of value at risk ("VaR"), as well as total open position and open position by currency.

### *Methodology*

Since 2002, the risk measure used by the Risk Department to monitor the market risk is VaR, being the limits of market risk based on this measure, and in several cases, supplemented with other market risk measures, such as sensitivity limits to risk factors variation: basis point value, interest rate and other sensitivity indicators commonly applied to share portfolios of options (also known as Greeks). VaR is calculated for all types of market risk (interest rate, equities, exchange rates and volatility), using the historical simulation method, whose confidence levels are contingent upon the reasons for holding the portfolio. Caixa also develops stress-testing assessments on the impact of the results of change in risk factors for extreme scenarios.

The Risk Department carries out daily calculations and monitoring of these measures, having conceived a comprehensive reporting structure of VaR, analysis of sensitivity, profitability indicators, performance and stress testing limits for all entities with exposure to market risk in the trading portfolios and exchange rate risk in the balance sheet.

Monitoring and evaluation of foreign exchange risk for domestic operations and for each of the subsidiaries and affiliates are carried out on a daily basis, and every two weeks for the consolidated Group.

Daily theoretical and real VaR measurement back testing analyses are performed with the calculation of theoretical back testing values and the monthly calculation of real back testing values. The number of exceptions obtained, i.e. the number of times that theoretical or real losses exceed VaR, enable the method's accuracy to be assessed and any necessary adjustments made.

### ***Interest Rate Risk in the Balance Sheet***

This is the risk incurred by an institution whenever it contracts operations with future cash flows sensitive to eventual changes in interest rates or, in other words, the risk associated with the mismatching of maturities due to a decrease or increase in the interest rate of assets and liabilities held, decreasing their return or increasing their financial cost.

### *Methodology*

The methodology used by CGD to measure this type of risk comprises the aggregation by time bands of all of its assets and liabilities sensitive to interest rate changes, in accordance with the respective re-pricing dates. The respective cash inflows and outflows are calculated for such periods to obtain the corresponding interest rate risk gap.

The analysis of the interest rate risk dimension involves a monthly calculation of the duration of sensitive assets and liabilities, in addition to the respective duration gap. This is used to measure the mismatch level

between the average time in which cash inflows are generated and cash outflows are required.

To monitor the effect of the gaps on net interest income, on a quarterly basis, a regular monthly forecast of sensitive assets and liabilities scenarios, which include relevant banking activity behaviour and trends, evolution of different market rates and expectations reflected in the yield curve, is produced.

ALCO approves guidelines on balance sheet and banking portfolio interest rate risk, including the definitions of limits on certain significant variables in terms of the level of exposure to such risk. The objective in complying with these guidelines is to ensure that CGD has a means of managing the risk/return trade-off; in balance sheet management terms, being in a position to define the adequate level of exposure and controlling the results of the risk policies and positions assumed.

The limits fixed are calculated monthly for the accumulated 12 months' gap and the duration gap, and quarterly both for the economic value at risk indicator (which translates the changes in the economic value of CGD's capital resulting from changes in interest rate levels) and for the earnings at risk indicator (which translates the changes in CGD's forecast net interest income resulting from changes in interest rate levels and the evolution of loans and advances and investment balances).

In the interest rate risk analysis, the implementation of a new asset and liabilities management computer tool, called BancWare ALM, enabled the materially more relevant CGD Group entities in this area to be assessed.

The outputs produced for each of the institutions, in consolidated terms, are set out below:

- In static terms, every month: contractual balance, current value and duration; interest rate and liquidity, structural liquidity gaps, level of immunisation and table of the source and application of funds;
- In dynamic terms, every quarter: forecast balance for the desired simulation period and net interest income with a sensitivity analysis (up/down 200 bp, up/down 100 bp and up/down 50 bp).

The outputs produced in the form of tables and monthly reports are for CGD's Executive Committee and Risk Management Department. Monthly information is also produced for the assessment of ALCO meetings and the same software is also used to process the information required for the production of liquidity and interest rate risk assessments in the banking portfolio, to be sent to the Bank of Portugal on a bi-annual basis.

The accumulated static interest rate gap of 12 months was significantly stable at around an average of 26 per cent. of sensitive assets for the first semester of 2011. The second half witnessed a progressive decrease of this amount, to an average of 24 per cent. of sensitive assets, which rose to 26 per cent. of the sensitive assets, i.e. a total of €24,596 million.

The Interest Rate Risk in the Banking Portfolio – The assessment and measurement of this type of risk is based on the accumulated impact of instruments sensitive to interest rates, resulting from a parallel movement of +/-200 bps on the yield curve. Under the terms of an ALCO resolution and for internal management purposes, the calculation of this impact on own funds and on net interest income is calculated quarterly with internal limits having been defined for the purpose in question, and this information is sent every six months to the Bank of Portugal (Bank of Portugal Notice 19/05).



At 31 December 2011, the impact on shareholders' equity (as defined in Bank of Portugal Notice 12/92) and interest income (understood to be the difference between interest income and costs, comprising the annualised equivalent of its current level), resulting from the referred shift in the yield curve of 200 basis points, was of 11 per cent. and 36 per cent. respectively.

### ***Liquidity Risk***

Liquidity risk refers to a situation where the possibility of an occurrence of a time-lag or mismatch between payment inflows and outflows renders the bank unable to satisfy its commitments. This involves a risk in which an institution's reserves and cash assets are not sufficient to honour its obligations at the time of occurrence.

Liquidity risk in the banking business area can occur in the event of:

- Difficulties in funding, normally leading to higher costs of funding but also implying a restriction on the growth of assets;
- Difficulties in meeting obligations to third parties in due time, caused by significant mismatches between residual periods on assets and liabilities.

With a view to the regular monitoring of the new minimum liquidity standards proposed in the “Basel III: International framework for liquidity risk measurement, standards and monitoring” document - the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR), and with the objective of anticipating eventual corrective measures required for compliance, CGD has been calculating and monitoring the two proposed ratios on a permanent basis in 2011.

### ***Methodology***

Liquidity risk management employs an analysis of the periods to maturity of different balance sheet assets and liabilities. The volumes of cash inflows and cash outflows, and respective liquidity gaps, are calculated for each of the different time bands considered, both in terms of the respective periods and its accumulated effect.

The structural liquidity concept is used for analysis purposes which, according to studies and models developed internally and based on the behaviour of depositors, translates the distribution of sight and term deposits by the different bands considered.

Therefore, in the case of sight deposits, 82 per cent. of the balance (core deposits) is categorised under the “more than 10 years” time band with the rest (non-core deposits) being allocated in bands of up to 12 months, in line with seasonality studies and minimum noted balance. Term deposits and savings accounts are, in turn, split up between the different bands in accordance with a model for estimating their expected average life and expected time distribution of withdrawals.

Securities investments also deserve special treatment, with around 85 per cent. of the total securities investments balance being categorised under the “up to one month” band and the remaining 15 per cent. being split up according to the proportion of the balances in the structure of the residual periods of their initial maturity. Shares and other variable income securities with adequate liquidity are considered globally

in the “up to one month” band.

Liquidity gaps are calculated monthly and compliance is measured in three limits (two short-term and one long-term) fixed by ALCO.

The dedicated software used to manage the risk of interest rate structure is also used in the analysis of balance sheet liquidity.

The outputs produced monthly for each of the institutions and in consolidated terms are: liquidity gap, liquidity gap and structural map of sources and uses of funds.

Liquidity risk management also incorporates quarterly stress test exercises in articulation with the current liquidity contingency plan, in line with the disclosure of the principles and recommendations of the Basel Committee on Banking Supervision and Committee of European Banking Supervisors.

The methodology developed internally for the assessment of Caixa's resilience to liquidity difficulties involves the measuring and monitoring of the “survival period” (period of time up to the occurrence of liquidity difficulties if corrective measures have not been applied beforehand), in light of three stress scenarios in the finance markets. A fourth scenario is also considered – base scenario – which assumes that Caixa will perform its activities in line with its budget and consequent funding plan.

The current model also encompasses a series of limits for the survival periods defined for each of the referred scenarios. Any non-compliance with any of the existing limits assumes the implementation of the contingency measures provided for in the contingency plan for Caixa's liquidity in accordance with levels of priority therein defined regarding the use of different financing instruments.

Notwithstanding the problems occurring in the monetary and capital markets, Caixa further developed its policy of taking in resources with more adequate maturity periods to avoid mismatches between assets and liabilities maturity periods, ensuring greater stability of its customer resources, both in its launch of structured savings products and in its particularly attractive interest rates.

To avoid high negative liquidity gaps over short-term time bands, Caixa has endeavoured to ensure a permanent level of efficient treasury management. To provide for the longer maturity periods, particularly associated with the continuous growth of its mortgage loans, Caixa continued to use medium and long-term resource-taking instruments in national and international markets in 2011.

In accordance with new guidelines and requirements of the Bank of Portugal, CGD has developed the new monthly reporting of liquidity (Bank of Portugal Instruction 13/2009), consisting of a diverse set of charts in order to enhance knowledge and control of bank liquidity. Taking into consideration the need for permanently and promptly accompanying the liquidity levels of credit institutions, particularly in periods of disruptions in financial markets, the Bank of Portugal also requested weekly information on liquidity in wholesale markets.

### ***Operational Risk***

The operational risk management within the CGD Group is supported by a set of guidelines, methodologies and regulations recognised as good practice:

- Alignment with the approach recommended in the Basel II Accord by having adopted the operational risk definition (such as the risk of losses resulting from inadequacies or procedural faults or caused by persons and information systems or due to external events);
- Internal control methodologies proposed by Committee of Sponsoring Organizations of Treadway Commission and Control Objectives for Information and Related Technology; and
- Underlying approach to the Risk Assessment Model implemented by the Bank of Portugal.

Accordingly, the CGD Group has adopted a methodology for operational risk management based on analyses by processes (end-to-end), having obtained the approval of the Bank of Portugal in 2009 to adopt the standard method (TSA) in the calculation of own funds to be allocated to operational risk on a consolidated basis. This calculation method also includes, on an individual basis, Caixa Banco de Investimento, Caixa Leasing e Factoring and Caixagest, which will be subject to the eligibility criteria applicable to the referred method on a separate basis.

The use of this method in Mercantile Bank (South Africa) and in Banco Caixa Geral (Spain) has also been formally approved by the respective supervisors. For the other Group institutions abroad, the calculation of own funds to be allocated to operational risks on an individual basis is calculated in accordance with the Standard Method Approach. In the case of the group's other institutions abroad, the assessment of capital requirements for operational risk, on a separate basis, uses the standard method.

According to the Standard Method and on a consolidated basis, capital requirement for operating risk was of €312 million as at 31 December 2011, compared to €338 million resulting from the Basic Indicator Approach as at 31 December 2010. In the organisation, operational risk management and internal control are the responsibility of dedicated structures and functions:

- An Operational Risk and Internal Control Management Committee responsible for verifying conformity with operational risk and internal control strategies and policies, monitoring the management thereof and proposing action plans;
- An area exclusively dedicated to operational risk and internal control management, responsible for developing and implementing strategies and policies and ensuring that operational risk is being adequately managed and that the controls are operating efficiently, in co-operation with other departments, branches and subsidiaries;
- Process owners who are responsible for facilitating and promoting the operational risk and internal control process;
- Other particularly relevant parties are the Executive Committee, the Consultancy and Organisation Division (management of processes), Compliance Office (compliance risk management), Accounting, Consolidation and Financial Information Division (calculation of own funds requirements) and the Internal Audit Division (control tests); and,
- Relevant roles are also played by the Prevention, Safety and Business Continuity Office (GPS), the Security Committee for Electronic Channels and the SSI Security, Risk and Continuity Area.

## *Methodology*

The methodology adopted by the Group for operational risk management is integrated with the assessment of an internal control system and may be characterised by the following components distributed by the four stages of risk management:

- Identification
- Catalogue of Group Processes;
- Documentation of activities, potential operational risks, control activities and mitigation; and,
- A decentralised process for data collection on operational risk events, losses and recoveries, including near misses, reinforced and supported by control procedures, and communication activities that contribute to the integrity of the database.

## *Assessment*

- Self-assessment questionnaires on potential operational risk developed in line with a logical procedural approach targeted at people in charge of, and executors of, activities;
- Performance of control tests for design, implementation and operational purposes; and
- Measurement of consumption of shareholders' equity.
  - Monitoring;
  - Risk indicators;
  - Disclosure of information relating to operational risk, derived from the various components of the methodology, to the various intervenient in their management.

## *Mitigation*

Promotion and monitoring of the implementation of action plans as a corollary of the other components of the methodology. The implementation of this methodology is set up within CGD and its branches, domestic subsidiaries (Caixa Gestão de Activos - the Group's Asset Management unit - Caixa Banco de Investimento, Caixa Capital, Caixa Leasing e Factoring) and abroad, Banco Caixa Geral (Spain), Offshore Subsidiary Macau and Banco Comercial do Atlântico (Cape Verde), Interatlântico Bank (Cape Verde) and Banco Nacional Ultramarino (Macau Offshore Subsidiary), Banco Caixa Geral Brazil and Banco Comercial e de Investimentos (Mozambique) and Banco Caixa Geral Totta de Angola.

Apart from the methodology of operational risk management, and aiming to ensure continuous operation of the activity, CGD is implementing a Global Business Continuity Strategy based on two pillars: operational continuity and technological recovery.

Consideration was given to this global but demanding and comprehensive vision, including persons and processes which are critical to CGD's activity, in compliance with the procedures recommended for the business continuity management of the financial sector, approved by the National Council of Financial Supervision on 9 September 2010.

This “Business Continuity Strategy” is based on an integrated crisis management approach. In addition to CGD, it includes other CGD companies such as Fidelidade Mundial, Império Bonança, Caixa Banco de Investimentos, Caixa Leasing e Factoring and Caixa Gestão de Activos.

To guarantee the regulatory obligations of institutions which are parent companies of a financial group, Caixa is developing performance/adaptation programmes within this framework of good contingency management for its foreign subsidiaries.

## ***Basel II***

Since the end of 2002, CGD has been developing a series of initiatives referred to as the Basel II Programme with the objective of ensuring compliance with the requirements of the new Basel II Capital Accord and its application for the use of advanced approaches to the calculation of own funds requirements.

The aim behind the implementation of the Basel II Programme is not only to comply with regulatory requirements, but also to endow the CGD Group with the most sophisticated risk assessment and management tools and methodologies in terms of credit, market, interest rate and liquidity. Over time, several stages of different projects have been completed. The knowledge acquired has been incorporated in current activity so that reference to them has been made, directly or indirectly, in the description of the various risks management methodologies.

Presented below is a brief statement of the purpose of each project and how it has progressed during 2011:

### *Global Basel Project*

The main objective of this project is to ensure the coordination of activities common to the Programme. In the first half 2011 the candidature for the use of internal credit risk models in CGD's more material segments was analysed in conjunction with the Bank of Portugal. The analysis resulted in a series of Bank of Portugal recommendations which will be implemented by CGD from 2012.

### *Gap Analysis Project*

This project was the starting point of the programme and allowed the establishment of the consequent action plan. Umbrella Project encompasses the development of risk management training and execution of guidebooks on management and control of risks for the CGD Group. CGD has continued to prepare a training programme dedicated to a very broad universe of employees of CGD, with e-learning courses on Basel II, credit risk and risk-adjusted return, aimed at improving skills in credit risk management complementing the e-learning training in 2010. In addition, in-house regulations were published covering Risk Management guidelines and focusing on: credit risk, currency risk, interest and liquidity rate risk on the balance sheet and operational risk.

Risk DataMart Project (“DMR”) – aims at integrating all relevant information to the other projects of the

Programme in a centralised repository (implementation of data models change). Additionally, there was a project aimed at developing automatic systems for measuring the quality of information loaded in the DMR to control the quality of such information, both in terms of its integrity and accuracy.

Group Information Collection Project (“PRIG”) – arises from the need to ensure the centralisation of information for CGD’s Group Entities. During 2010, there has been continuity:

- In the harmonisation of data sent by these entities;
- In supporting entities in the developments required for periodic sending of information.
- The main objective of the Integrated Administration and Control Risk (“SIGCR”) has been to define and implement an integrated model of risk management supported by a tool for calculating capital requirements, as well as the implementation of a process of self-assessment of economic capital adequacy (“ICAAP”).
- This project made the completion of regular prudent reporting on own funds requirements for credit risk (standard method) possible. The ICAAP report was also prepared and supplied.

#### *Market Risk Project*

The main objective of this project is to use advanced methodologies for the measurement of market risk for the CGD Group.

The Balance Sheet Interest Rate and Liquidity Risk Project – results from the need to adopt the recommendations of Basel II within the management and supervision of interest rate and liquidity risk in the balance sheet.

#### *Credit Risk Project*

The credit risk project combines:

*The Project Scoring and Rating Models*, which aim to provide CGD with internal models for estimating probability of default, as required in the internal models approach (IRB) in accordance with Basel II. The developments for the use of rating and scoring internal models supporting the decision-making process were finalised; and the Internal Rating Based Advanced Models Project that presents as its main objective the development of internal models to estimate the risk factors Loss Given Default – (“LGD”) and exposure in the event of default (“Exposure-at-Default” or “EAD”) providing conditions for adopting the advanced internal models approach (IRBA).

The results obtained with the model simulations are used for pricing decisions in corporate and retail, credit portfolio and housing segments.

*The Integrated Ratings System (“SIR”)* which is a repository of financial statements and information on the characterisation of collective legal persons, integrated in a workflow allocation and management of, and disclosure of, internal ratings. It enables and facilitates the analysis of those collective persons. Since 2010,

the system provides significant advantages over the former application as it permits the automatic supply of accounting data from all of the available countries via the Simplified Statistical Information System, increasing flexibility of use and management of the data obtained and providing a more agile user-friendly navigation interface.

*The Monitoring of Internal Models for the Credit Risk Project*, aimed at implementing a support application for the monitoring of internal models. During the first semester of 2011 a software tool was implemented for standardising and systemising the accuracy of the performance of the internally developed credit risk assessment models.

### ***Goals for 2012***

As a result of CGD's submission to the Bank of Portugal of an application for the use of internal credit risk ratings models, at the end of the first semester of 2011, Bank of Portugal stipulated a set of recommendations to be implemented by CGD from 2012 onwards. One of Caixa's main objectives for 2011 is to obtain the regulator's approval for this model and as such Caixa is preparing the presentation of a formal candidature for the use of internal models for calculating regulatory own funds, by using an internal market risk model from 2012 onwards.

During the first quarter of 2011, Caixa has proceeded with the necessary adjustments to comply with the legislative revision imposed by the transposition of Directives 2009/111/EC, 2009/27/EC and 2009/83/EC as defined in Decree Law 140-A/2010 of 30 December 2010, and the Regulations and Instructions transposed into internal law.

The introduction of the Basel III Capital Accord will determine the relevant actions to be developed for monitoring and integration of the inherent best practices and risk management principles.

ICAAP, risk aggregation and production of stress test exercises will continue to be revised to keep them in line with the best available practice.

### ***Competition***

In 2011, CGD faced intense competition in virtually all of its business areas. There was no particular key competitor for its deposit-taking business in Portugal, although CGD took into account the rates and terms offered by other deposit-taking banks and it followed market trends in the Portuguese deposit-taking sector.

The banks operating in other jurisdictions followed similar policies. In Portugal, the principal competitors of CGD in 2010 for housing loans were MillenniumBCP, Banco Espírito Santo, Banco Santander Totta and Banco BPI.

## **ANALYSIS OF THE UNAUDITED CONSOLIDATED ACCOUNTS FOR THE FIRST QUARTER OF 2012**

### ***Economic Environment***

Optimism over economic recovery in several areas of the globe in the first quarter, notably in the US, was in contrast to greater doubts concerning other regions such as the EA, particularly on account of the fiscal situation of countries on the periphery. Notwithstanding the above, at the end of the quarter, the eurogroup

and other EU partners formalised an increase in Europe's intervention capacity by means of a combination, albeit temporary, of the financial stabilisation mechanisms. In the EA and notwithstanding a certain improvement at the start of the quarter, business confidence indices remained in terrain associated with contraction. Unemployment was also a particularly negative factor, reaching its highest level of the last 17 years in February at 10.8 per cent.. On a price level, year-on-year inflation in the EA was more than 2.0 per cent. for the fifth consecutive quarter.

In Portugal, available economic indicators continued to be consistent with a scenario of a contraction in economic activity accompanied by deterioration both in the economic climate and consumer confidence, owing to fears regarding the labour market. The unemployment rate, which reached 15 per cent. in February, was, according to Eurostat, at the highest level since such information has been provided by the said organisation. In turn, the year-on-year inflation trend was downwards at 3.1 per cent. at the end of the quarter.

The first three months of the year were also marked by greater uncertainty over the evolution of several emerging countries, notably China. Various central banks in such economies, owing to the decline in inflationary pressures, evidenced growing concerns over the outlook for growth. Reference should also be made to the Central Bank of Brazil, which announced more significant reductions of its interest rates, bringing them back down to two year minimums.

The more positive performance of indicators in certain regions such as the US, and a more prudent approach by central banks to stimulating economic growth, enabled the improvements in financial markets, beginning in the fourth quarter, to continue into the first three months of 2012. Notwithstanding the continuation of many uncertainties over the valuation of risk assets, this was visible in the performance of share indices which, in the case of the US, were traded at their highest levels since second quarter 2008 and a decline in debt spreads.

Interest rates in the interbank money market fell considerably in the first quarter, accentuating the movement beginning in the last few months of 2011, following the increase in liquidity provided by the ECB's organisation of another auction with a maturity of 3 years and an unlimited supply of funding.

Fresh tensions in the public debt market at different times and for different reasons in the first quarter of the year, translated into fresh increases in spreads on the sovereign debt of the peripheral countries. At the start of the year, spreads on Italian public debt were close to the maximum recorded following S&P's downgrade of its rating on the securities of nine of the seventeen EA member countries. The difference between spreads on Portuguese and German securities also reached a historical maximum in January, owing to fears that Portugal might follow the example of Greece and eventually restructure its debt. In the case of Greece and until the completion of the debt restructuring process, the spread on Greek debt rose to successive highs.

The first quarter of the year witnessed a decline in spreads in the corporate bond market. The favourable performance of US indicators, completion of the debt restructuring operation on Greek sovereign debt and the ECB's reinforcement of liquidity had a positive influence on the market, in contributing to the reduction of risk aversion.

Special reference should also be made to the performance of the commodities market owing to oil prices. Fears over the possibility of supply-side restrictions, owing to the uncertainties deriving from the situation in several oil producing countries and the very low level of stocks reported by several countries, notably the US, had the effect of raising oil prices to their highest for almost a year, having once again exceeded \$120/barrel starting from the end of February.



## ***Main Developments within the Group in the First Quarter of 2012***

### ***Main Business Area Developments***

#### ***Retail Banking - Branch Office Network in Portugal***

The first quarter of 2012 was characterised by the continuation of the commercial transformation project, particularly the consolidation of service models, improved value proposals, commercial guidelines, quality of customer service and increased customer loyalty and satisfaction indices. At 31 March 2012, more than 813,000 individual and corporate customers benefited from the management services of a dedicated commercial account officer, with Caixa continuing to occupy the leading position in the national banking sector in terms of customer care and services.

The branch office network at 31 March 2012 comprised 828 branches and 37 Caixa Empresas corporate offices. Commercial gap was reduced due to a contraction of credit and an increase in total deposits. In the branch office network total deposits of €55,350 million were up 5.4 per cent. when compared with the previous year, fuelled by the 16.4 per cent. increase made by general government and 7.2 per cent. made by individual customers. Corporate deposits were down 16.5 per cent..

#### ***Individual Customers***

Turnover in the individual customers segment totalled €86,874 million in the first quarter 2012. Deposits in this customer segment were up 1.4 per cent. and sales down 3.4 per cent.. Individual customers' deposits in the branch office network in Portugal were up 7.2 per cent. year-on-year to €43,660 million at 31 March 2012.

CGD leads in terms of deposits, reflecting its successful implementation of a strategy based on the issue of a collection of savings solutions geared towards customers in all segments, always providing the highest levels of security based on its financial solidity and helping to reinforce its liquidity. Mortgage lending was down 2.9 per cent. year-on-year in portfolio value terms as a reflection of the market's maturity and the difficulties represented by the present economic and social context.

In the individual customers' segment, reference should be made to the Caixazul service, geared towards the personalised management of premium customers, consisting of financial advisory and decision-making support services based on customised solutions and opportunity management. At 31 March 2012 this service had 315,000 customers and accounted for more than 38 per cent. of turnover in the individual customers' segment. The branch office network had 560 such dedicated spaces.

#### ***Corporate***

Turnover of €39 billion in the corporate segment for the first quarter of 2012 was down 5.3 per cent. in year-on-year terms. Growth was negative across all components (deposit-taking was down 16.5 per cent., sales down 3.6 per cent. and off-balance sheet down 0.9 per cent).

The economic environment, economic crisis in the eurozone and consequent economic contraction, has had a marked effect on the Portuguese business sector, particularly in the case of SMEs, with a moderation in turnover growth, which was down 3 per cent.. To overcome such difficulties, CGD has implemented

strategic guidelines to increase its market share and business in the corporate segment: the consolidation of Caixa Empresas service model with the underlying concept of providing a personalised management service to the self-employed and CGD's small and medium-sized corporate customers, whose credit managers represent the relational aspect on the basis of an integrated approach to corporate customers' business and individual needs. At the end of first quarter of 2012, this service had 23,000 customers representing a turnover of €3.6 billion.

### ***International Area Operations***

Due to the current environment of national and international economic crisis, and being aware of the crucial role played by international business for the sustained recovery of the Portuguese economy (owing to the strong historical correlation between GDP growth and the expansion of foreign trade), especially in a period of weak domestic demand, CGD Group remained deeply committed to supporting and accompanying the internationalisation actions and strategies of Portuguese companies in the first semester of 2011.

The continuation of a high level of uncertainty regarding the resolution of the sovereign debt crisis in the EA strongly conditioned the outlook for the evolution of the world economy in 2012. Notwithstanding the measures implemented by the European Union, not only in 2011 but also at the beginning of this year, eurozone countries were particularly vulnerable as a result of the continued tensions associated with the debt crises which particularly affect Portugal, Greece and Ireland as well as, to a lesser extent, Spain and Italy. There are also risks of contagion between the EA and other world economies, aggravated not only by the European economy's poor growth forecasts but also by the eventual effects of the deleveraging in progress in the financial system. On a global level, the outlook remains one of a certain deceleration in the economies of emerging countries without, however, compromising their development. It is therefore in an environment of major asymmetries and enormous challenge that the international area is becoming particularly relevant in mitigating the difficulties and constraints currently hanging over domestic activity.

CGD is present in 4 continents and 23 countries, provides a singular geographical diversity and is undeniably advantageous to the Group. With a network of more than 470 branch offices and around 5,000 employees working abroad, Caixa is particularly focused on the economies of emerging and developing countries such as Community of Portuguese Speaking Countries (Africa and Brazil), China and other Latin American countries, and the Maghreb. Support for the internationalisation of Portuguese companies involves export mechanisms and support solutions in the form of commercial and concessionary lines of credit, trade finance instruments and support for the investment by Portuguese companies in markets with major potential for these customers, in the form of the presence of Caixa Group companies in such countries. Therefore, in the first three months of 2012, CGD Group continued to support foreign trade and the internationalisation of Portuguese companies, particularly focusing on SMEs. Caixa continued to fulfil all financial commitments undertaken under medium and long-term concessionary and commercial lines of credit in support of exports, which make a decisive contribution to promoting the export sector, maintaining its support to customers and global economic growth.

The Group's solutions also include corporate advisory services, provided by specialists in foreign markets and trade finance who cooperate closely with the domestic and foreign branch office network in providing detailed information on the specific characteristics of each of the relevant markets for the internationalisation of Portuguese companies and the development of tailor-made support to exports and investment, taking into account their customers' specific needs.

Caixa has also reinforced its process involving international business promotion on the basis of informational actions to improve its corporate customers' capacities in strategic markets for Caixa Group, accompanying its customers in their endeavours to internationalise.

In this first quarter, reference should be made to informational actions designed to improve the skills of Portuguese companies in their internationalisation processes in strategic markets, in its support for and participation in the 20th Congress Commemorating AERLIS's (Lisbon Regional Business Association) 20th Anniversary, on the theme of "Funding, Innovation and Business Internationalisation" in February 2012, and the "Strategic Triangle: Latin America – Europe – Africa" meeting organised by IPDAL (Institute for the Promotion and Development of Latin America) in March 2012.

Internationalisation undoubtedly comprises a fundamental strategic vector for CGD Group, based on its exploitation of opportunities in diverse markets in which Caixa has a presence and the optimisation of synergies between various external entities.

On account of the strong economic relationship between Portugal and Spain and Caixa's support in promoting the internationalisation process of Portuguese companies, based on a joint network of around 1,000 branch offices in the Iberian Peninsula, CGD views its presence in Spain as a natural extension of its domestic market. Notwithstanding having reinforced its bilateral performance, CGD Group's activity in this market has been performed in a economic context of depression, subject to major constraints in all operating sectors aggravated by additional impairment on several operations, translating into a negative contribution of around €39 million to consolidated income.

In a difficult international economic and financial environment, characterised by high levels of uncertainty and instability, income from international activities, excluding CGD's Iberian presence, was not immune to the difficulties deriving from the unfavourable external environment. The contribution made by international activity to the Group's consolidated net income was down 22.7 per cent. over the same quarter of the preceding year to €26.8 million.

### ***Investment Banking***

#### *Activity*

Caixa – Banco de Investimento, S.A. (CaixaBI) earned a net operating income of €33.4 million and a net income of €18.5 million from its banking activities in the first quarter of 2012, up by around 29 per cent. over the same period of 2011. Net interest income was up by around 5 per cent. over the same period of 2011 to €7.2 million.

As a consequence of the slowdown of the main economies in which CaixaBI has a more significant presence - Portugal and Spain -, total commissions contracted to €9.8 million in comparison to the same period of 2011.

Notwithstanding the unfavourable environment for its activity, CaixaBI kept a leading position in most league tables having participated in the most important operations in the markets where it operates.

#### *Project Finance*

In the first quarter of 2012, CGD Group, via CaixaBI, was lead arranger for structured project finance transactions, having become the best positioned Portuguese bank.

Regarding operations in the primary debt market - which were negatively affected by the constraints

associated with the instability related to the sovereign debt crisis and the risk aversion to the periphery countries of the eurozone - reference should be made to the following operations:

Bonds: CaixaBI operated as joint dealer manager for CGD's tender offer on two covered bond issues (maturing in 2016 and bonds on the public sector maturing in 2014), mainly acting as sole dealer manager for non-qualified investors resident in Portugal;

Commercial paper: CaixaBI organised and led two new commercial paper programmes for Ibersol involving an amount of €5 million and for Zon Multimédia, for the amount of €100 million.

Caixa BI was active on equity capital. Reference should be made to CaixaBI's participation as advisor in the organisation and structuring of the public takeover offer launched by Tagus for the capital of Brisa.

On an international level, reference should be made to CaixaBI's operations in Mozambique and in Brazil, where it structured and/or contributed to financial advisory services for a diverse collection of projects.

In corporate debt finance CaixaBI was the bookrunner for 4 issues – Portugal Telecom, the Portuguese Republic and two CGD issues. CaixaBI also organised and led two new commercial paper programmes for Parpública and BPN, completed 35 renewals and/or restructuring operations and currently has nine programmes in progress.

Insofar as the unfavourable macroeconomic context has permitted, CaixaBI's efforts were reflected in the Bloomberg ranking for the first quarter of 2012, in which the bank was leader in Portugal, third in Iberia and second in Brazil in terms of the volume of transactions.

Reference should be made to the following projects, successfully completed by CaixaBI in the quarter:

Parpública: financial advisory service to Parpública for the second stage of the REN reprivatization, with the sale of a 40 per cent. equity investment in REN to the State Grid China Corporation (25 per cent) and the Oman Oil Company (15 per cent);

SGC Group: financial advisory service to SGC Group for the sale of Pargim Empreendimentos e Participações (real estate business focusing on shopping centres in Brazil) to the Brazilian company Aliansce, comprising a further example of CaixaBI's successful implementation of its cross-border strategy between Portugal and Brazil.

In syndication and sales, as already mentioned, CaixaBI was dealer manager and financial Intermediary for CGD's tender offer on two covered bond issues. In terms of commercial paper issues, CaixaBI was involved in 100 issues totalling an amount of €1,550 million.

Regarding capital market activities - and notwithstanding a drop of around 6.3 per cent. in trading volumes over the same period in 2011 - according to CMVM data (statistics in relation to the reception of deposits on behalf of third parties, table 8, available at <http://www.cmvm.pt/cmvm/estatisticas/ifs%20internet/pages/maio2012.aspx>), published at the end of February, the change in CaixaBI's trading volume in the same period was of 8 per cent..

According to the same source of information, CGD Group achieved the fourth position in the Portuguese

financial intermediaries ranking at the end of February with a market share of 10.8 per cent..

Public debt market-making activities in the secondary market in the first quarter 2012 continued to be characterised by extremely difficult conditions such as low liquidity, historically high bid offer spreads and volatility. Notwithstanding these constraints, CaixaBI was leader of all primary dealers in IGCP's general performance ranking.

As liquidity provider, CaixaBI is a benchmark operator within the Euronext, all securities and categories in which it operates having been awarded the maximum A rating.

In venture capital, Caixa BI continued to secure and analyse investment opportunities: 74 projects were considered, 46 of which have been received in the period and 28 were brought forward from the preceding year.

8 projects were approved, comprising potential investment of around €23 million. Of the said amount, €1 million was invested. Of all the projects examined, 42 per cent. were industrial companies, 20 per cent. agro industrial, 19 per cent. technologies and 10 per cent. commercial projects.

### ***Insurance and Healthcare Activities***

#### *Caixa Seguros e Saúde, SGPS*

Caixa Seguros e Saúde (CSS)'s consolidated net income for first quarter of 2012 was up 60 per cent. over March 2011 to €15.6 million, notwithstanding the significant impact of non-recurring factors resulting in additional impairment registered for the period.

#### *Insurance Market*

The domestic insurance market decreased its activity in the first quarter of 2012, processing direct insurance premiums (including resources taken under investment contracts) of €2,831.9 million, down 13.8 per cent. over the same period of 2011.

Life insurance premiums were down 20 per cent. over the preceding year, representing an income of €1,693.6 million, deriving especially from capitalisation products and retirement savings plans.

Non-life insurance premiums income were down 2.6 per cent. when compared to the previous year, (corresponding to sales of around €1,138.4 million), essentially as a consequence of the economic slowdown.

CSS reinforced its leading position in the domestic insurance market with an overall market share of 31.9 per cent., in both life (35.3 per cent) and non-life (26.9 per cent) insurance activities. CSS insurance companies increased their share of life insurance activity (up 7.4 pp), as a reflection of a better level of performance of financial insurance in comparison to the rest of the market, as well as the non-life insurance segment (up 0.6 pp), especially on account of its sales endeavours in the health, commercial multirisk and industrial areas.

CSS earned €905 million in direct insurance premiums from its operations in Portugal, up 0.6 per cent. over the preceding year, particularly on account of the 1.1 per cent. increase in life insurance.

Premium income from non-life insurance as a whole, centred on transport, personal accidents, motor vehicle and workman's compensation areas owing to the economic slowdown, was down 0.4 per cent.. There was an increase in market share in the latter two areas with a nominal increase in market share, notwithstanding the nominal reduction in the premiums portfolio.

### *Results*

According to the accounting rules applied by CGD, CSS earned a net income of €15.6 million. This performance reflects the impact of various adverse factors, such as impairment due to the insurance area's exposure to Greek sovereign debt.

Excluding these effects, current income would have been close to €31 million.

Taking the HPP sales process into account, they were considered, at 31 March 2012, as a non-current asset available for sale. Therefore, in consolidated terms, the investment in HPP has not been recognised in assets on account of the fact that the amount of the investment, including adjustments, is negative and has therefore been recognised in shareholders' equity as comprehensive income.

### *Insurance Activities*

The net income attributable to the insurance area in the statutory accounts was €18.2 million, close to the level recorded in 2011. This stabilisation of income, however, incorporates both positive and negative effects, notably the improvement in technical income from non-life insurance, decrease in operating expenses and recognition of impairment on Greek debt and the processing of various provisions.

Excluding non-recurring effects, net income would have been close to €31 million, representing a significant improvement over the comparable result for the preceding year.

### ***Improvement of Technical Income***

The technical margin, excluding financial activities, reached €66.6 million, an increase of €4.2 million over the preceding year, of which €15.4 million was from life insurance activities (down €2 million over the preceding year) and €51.2 from non-life insurance, which was up €6.2 million in year-on-year terms.

The result from financial activity, after customer allocations, was negative by €6.4 million (due to recognition of impairment) against income of €42.2 million in comparison with the values recorded in the preceding year.

In technical terms the combined ratio net of reinsurance stood at 103.3 per cent. Structural costs, excluding the provision for eventual impairment on assets, totalled €69.8 million, down 2.7 per cent. on a year-on-year comparison.

## ***Solvency***

In consolidated terms, CSS increased its solvency margin to 183.2 per cent., resulting from an increase in its fair value reserve and therefore providing all customers and agents related with the Group with a high safety margin.

## ***Financial Analysis - Consolidated Operations***

### ***Results***

CGD Group's consolidated net income totalled €8.8 million in the first quarter of 2012, a decrease of 89.46 per cent. when compared to the same period of the preceding year. The results for the first quarter of 2012 have continued to be influenced by the adverse economic and financial conditions, and, as such, provisions and impairment for the global amount of €329.7 million had to be registered as a cost for the period. Credit impairment totalled €240.2 million, and net provisions and impairment on other assets, including securities, reached €89.5 million.

Gross operating income evolved most favourably to €372.0 million, with a 33.9 per cent. quarter-on-quarter increase of €94.2 million over the preceding year, owing to an impressive 8.8 per cent. increase of €61.8 million in net operating income from banking and insurance activities in conjunction with a 7.6 per cent. decrease in operating costs.

Results by Main Business Areas (€ million)	March 2011	March 2012	Change	
			Total	%
Domestic Commercial Banking.....	161.0	237.5	76.5	47.5%
International .....	62.4	76.7	14.3	22.9%
Insurance and Healthcare.....	32.9	45.8	12.9	39.2%
Investment Banking.....	21.6	12.0	(9.6)	(44.2%)
<b>TOTAL .....</b>	<b>277.9</b>	<b>372.0</b>	<b>94.2</b>	<b>33.9%</b>

Net interest income, including income from equity instruments, totalled €389.5 million, representing an increase of 2.3 per cent. (€8.7 million) over the first quarter of 2011 deriving from an increase of 4.3 per cent. (€15.9 million) in net interest income over the first quarter of 2011. The amount of income from equity instruments (dividends) was down by €7.2 million, a decrease of 61.2 per cent..

Net commissions were down by 5.5 per cent. to €117.7 million, reflecting the decline in commissions from investment banking operations.

Income from financial operations was up €48.9 million in comparison with the same period last year, reaching €111 million. This increase was mainly due to the repurchase of own debt (€96.4 million and the net loss of €16.7 million on the revaluation of financial investments). Other operating income totalled €35.1 million, a very similar figure to the first quarter of 2011.

The technical margin on insurance products contributed €111.2 million to the Group's net operating income, representing a 11.8 per cent. increase (€11.7 million) over the same quarter of the preceding year. This change reflected the significant 7.0 per cent. drop of €15.9 million in claims costs, net of reinsurance.

Due to the above, net operating income from banking and insurance was up 8.8 per cent. (€61.8 million) to €764.5 million, in comparison to the same period of the preceding year.

<i>Profit and Loss Account</i>	As at 31 March		Change	
	2011(*)	2012	Amount	%
	(€ million)	(€ million)	(€ million)	
Interest and similar income.....	1,209.6	1,381.8	172.3	14.2%
Interest and similar costs .....	840.5	996.9	156.4	18.6%
Income from equity instruments.....	11.8	4.6	(7.2)	(61.2%)
Net Interest income, including income from equity investments .....	380.8	389.5	8.7	2.3%
Income from services and commissions .....	158.4	157.1	(1.3)	(0.8%)
Costs from services and commissions .....	33.9	39.4	5.5	16.4%
Income from financial operations.....	62.1	111.0	48.9	78.7%
Other net operating income .....	35.7	35.1	(0.6)	(1.7%)
Non-interest income .....	222.4	263.8	41.4	18.6%
Premiums net of reinsurance .....	309.0	310.4	1.4	0.5%
Investment income allocated to insurance contracts.....	37.3	33.1	(4.2)	(11.2%)
Claims costs (net of reinsurance).....	228.6	212.7	(15.9)	(7.0%)
Commissions and other associated income and costs.....	(18.2)	(19.7)	(1.5)	(8.2%)
Technical margin in insurance operations .....	99.5	111.2	11.7	11.8%
Net operating income from banking and insurance operations .....	702.7	764.5	61.8	8.8%
Employee costs .....	240.0	213.3	(26.7)	(11.1%)
Other administrative costs .....	142.0	136.2	(5.9)	(4.1%)
Depreciation and amortisation.....	42.8	43.0	0.2	0.5%
Operating costs and depreciation.....	424.8	392.5	(32.4)	(7.6%)
Gross operating income .....	277.9	372.0	94.2	33.9%
Provisions net of cancellations .....	(8.2)	89.5	97.7	1191.5%



*Profit and Loss Account*

	As at 31 March		Change	
	2011(*)	2012	Amount	%
Impairment on credit and other assets, net of reversals .....	110.0	240.2	130.2	118.3%
Provisions and impairment .....	101.9	329.7	227.8	223.7%
Income from subsidiaries held for sale .....	(22.4)	(1.2)	21.2	94.6%
Income from associated companies .....	1.8	-	(1.8)	(100.7%)
Income before tax and minority shareholders' interests.....	155.5	41.1	(114.4)	(73.6%)
Tax				
Current & Deferred.....	46.4	12.3	(34.1)	(73.4%)
Extraordinary Contribution on the Banking Sector .....	6.9	7.4	0.5	7.7%
Consolidated net income for the period.....	102.1	21.3	(80.8)	(79.1%)
Minority shareholders' interests .....	18.7	12.6	(6.1)	(32.5%)
Net Income attributable to CGD shareholder .....	83.5	8.8	(74.7)	(89.5%)

(\*) Restated accounts, considering the figures involving CSS' healthcare area as a non-current asset held for sale. Gains related to the repurchase of liabilities in first quarter 2011 are recognised in results from financial operations.

Operating costs were down 7.6 per cent. to €392.5 million, with a decrease in staff costs and other administrative costs of 11.1 per cent. (€26.7 million) and 4.1 per cent. (€5.9 million) respectively.

Operating costs in domestic activity were down by €31.5 million (a 14.4 per cent. decrease compared to the same month of the preceding year), reflecting the effects of cost containment measures. Special reference should be made to the 20.7 per cent. (€27.5 million) reduction in staff costs and the 5.0 per cent. drop of €3.1 million in external supplies and services. In the case of insurance activity, the contribution of operating costs was down 10.8 per cent., as opposed to international operations in which they were up 11.7 per cent., reflecting the expansion occurring in this business segment.

Whereas the Group's cost-to-income ratio was 51.3 per cent. (a decrease of 9.5 per cent. in comparison to the figure in December 2010 of 60.8 per cent), the ratio for CGD's separate operations diminished from 55.7 per cent. to 45.0 per cent..

<i>Efficiency Ratios</i>	December 2011	March 2012
Cost-to-income (consolidated) <sup>(1)</sup> .....	60.8%	51.3%
Cost-to-income (separate operations) <sup>(1)</sup> .....	55.7%	45.0%
Cost-to-income (banking) <sup>(1)</sup> .....	60.7%	48.6%
Employee costs/Net operating income <sup>(1)</sup> .....	32.1%	27.9%
External supplies and services/ Net Operating Income .....	21.9%	17.8%
Operational Costs/Average net assets.....	1.44%	1.29%

(1) Calculated in accordance with Bank of Portugal Instruction 23/2011.

Loan impairment for the quarter, net of reversals and recovery, was up 118.3 per cent. to €240.20 million, when compared with the same period of 2011.

Return on equity was of 2.67 per cent. (1.39 per cent. after tax) and return on assets was of 0.14 per cent. (0.07 per cent. after tax).

Provisions and impairment of other assets (net) for the quarter totalled €89.5 million, of which a significant proportion provided for loss of value on CGD's equity investments in Portugal Telecom and La Seda Barcelona, in addition to its exposure to securities held by the Group's insurance area.

In March, the Group also integrated the debt restructuring process on Greek sovereign debt, posting a total loss of around €185.5 million. This, however, did not have an effect on results, having already been registered in securities impairment and provisions account headings in 2011.

Current and deferred tax plus the extraordinary contribution of €7.4 million on the banking sector totalled €19.8 million.

<i>Profit Ratios</i> <sup>(1)</sup>	December 2011	March 2012
Gross return on shareholders' equity (ROE) <sup>(1) (2)</sup> .....	(8.13%)	2.67%
Net return on shareholders' equity (ROE) <sup>(2)</sup> .....	(6.4%)	1.39%
Gross return on assets (ROA) <sup>(1) (2)</sup> .....	(0.44%)	0.14%
Net return on assets (ROA) <sup>(2)</sup> .....	(0.35%)	0.07%
Net operating income <sup>(3)</sup> / average net assets <sup>(1) (2)</sup> .....	2.36%	2.51%

(1) Calculated in accordance with Bank of Portugal Instruction 23/2011

(2) Considering average shareholders' equity and net assets values (13 observations)

(3) Includes income from associated companies.

CGD Group's net assets fell 4.8 per cent. (€4.8 billion) in annual terms and 1.6 per cent. (€1.94 million) from the start of the year, to €118.6 billion at the end of March 2012. This was largely due to the evolution of securities investments reflected in the balance sheet deleveraging strategy in progress.

There were therefore reductions in the loans and advances to customers and securities portfolios (including

assets with repos agreements) of €4.0 billion (4.8 per cent) and of €1.6 billion (5.9 per cent), respectively, in comparison to the preceding year. The balance on the cash and investments in credit institutions was down 9.2 per cent. (€545 million).

On the liabilities' side, reference should be made to decreases in debt securities and subordinated liabilities of €5.0 billion (down 26.8 per cent) and of €0.8 billion (down 28.5 per cent), respectively, over March 2011, partly offset by the 5.6 per cent. increase of €3.8 billion in customer resources. Technical provisions for insurance operations and resources taken from credit institutions were down 20.6 per cent. (€1.2 billion) and 5.2 per cent. (€0.7 billion), respectively. In the first quarter CGD reduced its level of borrowing from the ECB to a net exposure of €6.95 billion at the end of March, against last December's €9 billion.

Loans and advances to customers (gross), excluding repos operations, were up €191 million (0.2 per cent) to €81.7 billion when compared with the figures at year end, and have decreased 3.1 per cent. by €2.6 billion in comparison to the 1st quarter of 2011.

### *Consolidated Balance Sheet*

	As at 31 March			
	2011 <sup>(*)</sup>	2012	Change	%.
	(€ million)	(€ million)	(€ million)	
<b>Assets</b>				
Cash and cash equivalents at central banks .....	1,879	1,178	(701)	(37.3%)
Loans and advances to credit institutions .....	4,045	4,201	156	3.9%
Loans and advances to customers .....	83,247	79,257	(3,990)	(4.8%)
Securities investments .....	26,194	24,866	(1,329)	(5.1%)
Assets with repo agreements .....	1,177	900	(277)	(23.5%)
Investment in subsidiaries and associated companies .....	34	35	1	2.0%
Intangible and tangible assets .....	1,469	1,482	12	0.8%
Current tax assets .....	96	83	(13)	(13.4%)
Deferred tax assets .....	1,144	1,754	610	53.3%
Technical provisions on outwards reinsurance .....	275	243	(32)	(11.7%)
Other assets .....	3,881	4,639	758	19.5%
<b>Total assets .....</b>	<b>123,442</b>	<b>118,637</b>	<b>(4,805)</b>	<b>(3.9%)</b>
<b>Liabilities</b>				
Resources from central banks and other credit institutions .....	14,285	13,538	(746)	(5.2%)
Customer resources .....	67,374	71,150	3,776	5.6%
Financials liabilities .....	1,347	2,020	673	50.0%
Debt securities .....	18,785	13,754	(5,031)	(26.8%)
Provisions .....	792	852	60	7.6%
Technical provisions for insurance operations .....	5,623	4,465	(1,158)	(20.6%)
Subordinated liabilities .....	2,766	1,978	(788)	(28.5%)
Other liabilities .....	4,987	4,934	(53)	(1.1%)
<b>Total liabilities .....</b>	<b>115,959</b>	<b>112,692</b>	<b>(3,266)</b>	<b>(2.8%)</b>

*Consolidated Balance Sheet*

	As at 31 March			
	2011 <sup>(*)</sup>	2012	Change	%.
	(€ million)	(€ million)	(€ million)	
Shareholders' equity.....	7,483	5,945	(1,538)	(20.6%)
Total liabilities and equity .....	123,442	118,637	(4,805)	(3.9%)

(\*) Restated accounts, considering the figures involving CSS' healthcare area as a non-current asset held for sale.

Around 78 per cent. of total loans and advances to customers come from CGD's activity in Portugal. Reference should be made to the 2.7 per cent. increase of €674 million in the case of the loans and advances to corporate and institutional investors in the first quarter of 2012. Loans and advances to individual customers and government have decreased 3.2 per cent. and 9 per cent. respectively on an annual basis, and 0.9 per cent. and 1.6 per cent. in comparison to December 2011.

Loan production by the Group's other units represented 22.1 per cent. of total loans and advances to customers. Reference should be made to the reduction in Group businesses in Spain (down 11.9 per cent. with €686 million, when compared with March 2011) and Caixa Leasing e Factoring (down 9.8 per cent., €334 million). BNU Macau and Banco Comercial e de Investimentos in Mozambique recorded an increase of 18.1 per cent. (€204 million) and an increase of 26.1 per cent. (€186 million), respectively.

Domestic Activity on mortgage lending in terms of operations was down 3 per cent. and 0.8 per cent. in comparison with March 2011 and December 2011 respectively, having its weight been reduced to 51.7 per cent. of the total portfolio. New mortgage loan production in Portugal reached €97.2 million in first quarter of 2012, a significant decrease when compared with the value recorded for the same period of the previous year.

Benefiting from the highly favourable evolution of deposits, the deposit-to-loans conversion ratio was 121.9 per cent. against the 2011 figure of 137.8 per cent. and 122.2 per cent. recorded at year end, thus approaching the recommended goal for Portuguese banks of 120 per cent..

<i>Loans and Advances to Customers</i> <sup>(a)</sup>	March 2011	December 2011	March 2012	Change March 2012-2011
	(€ million)	(€ million)	(€ million)	%.
<b>CGD operations in Portugal</b> .....	65,238	63,382	63,680	(2.4%)
Corporate .....	25,926	25,174	25,848	(0.3%)
Individual customers.....	35,598	34,773	34,450	(3.2%)
Mortgage lending.....	33,937	33,193	32,922	(3.0%)
Other .....	1,661	1,580	1,528	(8.0%)
Public Sector.....	3,714	3,435	3,381	(9.0%)
<b>Other CGD Group Companies</b> .....	19,070	18,151	18,044	(5.4%)
<b>Total</b> .....	<b>84,308</b>	<b>81,533</b>	<b>81,724</b>	<b>(3.1%)</b>

(a) Before impairment and excluding repos considerations.

Asset quality, measured by the credit at risk and non-performing credit ratio, calculated under Bank of Portugal's rules, has reached 7.4 and 5.0 per cent. respectively against 6.9 and 4.3 per cent. when compared with the year end. The total overdue credit ratio stood at 4.6 per cent. in March 2012, in comparison with the figure of 3.9 per cent. in the end of the year and 3.3 per cent. in the end of March 2011. The ratio of credit overdue for more than 90 days was of 4 per cent., against 3.6 per cent. at the end of 2011.

Accumulated impairment on loans and advances to customers (performing and overdue) at end of March 2012 was of €3,582.4 million, having suffered an increase of 33.1 per cent. by €891.6 million. The credit overdue for more than 90 days cover rate was 109.2 per cent. against 116.5 per cent. at the end of 2011.

Credit impairment, net of cancellations and reversals, in the first quarter of 2012, comprised 1.14 per cent. of the average balance portfolio, up 0.17 per cent. over the end of 2011.

<i>Asset Quality Ratios</i>	March 2011	December 2012	March 2012
Non-performing credit / total credit <sup>(a)</sup> .....	3.3%	4.3%	5.0%
Credit at risk / total credit <sup>(a)</sup> .....	4.5%	6.9%	7.4%
Overdue credit / total credit .....	3.3%	3.9%	4.6%
Overdue credit 90 days / total credit.....	2.7%	3.6%	4.0%
Non-performing credit, net/ total credit, net <sup>(a)</sup> .....	0.2%	0.2%	0.7%
Credit at risk, net/ total credit, net .....	1.4%	2.9%	3.2%
Overdue credit cover .....	94.4%	105.0%	94.5%
Cover on credit overdue more than 90 days .....	114.7%	116.5%	109.2%
Cover on average credit overdue .....	0.54%	0.97%	1.14%

(a) Calculated in accordance with Bank of Portugal Instruction 23/2011.

Securities investments (including assets with repo agreements), including the Group insurance companies' investment book, were down to €25.8 billion in comparison with €27.4 billion in March 2011, reflecting a strong assets deleverage strategy in the current context of liquidity shortage and high funding costs, with particular emphasis on the investment book of insurance companies.

	March 2011	December 2011	March 2012	Change March 2012/2011
<i>Securities investments</i> <sup>(a)</sup>				
	(€ million)	(€ million)	(€ million)	%.
Banking .....	16,706	16,226	17,149	2.7%
Insurance.....	10,666	8,949	8,617	(19.2%)
Total.....	27,372	25,176	25,766	(5.9%)

(a) After impairment including assets with repo agreements.

Total resources taken by the Group (excluding the interbank money market) were down 3.9 per cent. to €100.1 billion when compared to the same period of the preceding year, and 0.3 per cent. when compared with the value registered in December 2011. However, if the funding obtained from institutional investors would not be considered, the total customer resources balance would have been up 1.4 and 0.6 per cent. against March and December 2011, respectively, to €86.5 billion.

From total resources of €89.4 billion, retail resources in the balance sheet were up 3 per cent., in annual terms, to €75.8 billion, influenced by the 7.6 per cent. increase in customer deposits.

<i>Resources taken by Group</i>	March 2011	December 2011	March 2012	Change March 2012/2011
	(€ million)	(€ million)	(€ million)	%.
<b>Balance sheet:</b>	92,501	90,209	89,368	(3.4%)
<b>Retail</b>	73,644	75,858	75,826	3.0%
Customer deposits	60,405	64,030	65,005	7.6%
Capitalisation insurance(a)	10,254	8,893	8,300	(19.1%)
Other customer resources	2,985	2,935	2,522	(15.5%)
<b>Institutional investors</b>	18,855	14,352	13,542	(28.2%)
EMTN	8,156	7,128	5,853	(28.3%)
ECP and USCP	823	0	1,100	(33.6%)
Nostrum Mortgages	462	403	389	(15.8%)
Mortgage Covered bonds	7,130	5,806	5,177	(27.4%)
Bonds guaranteed by the Portuguese Republic	1,262	0	0	(100%)
Public Sector Covered Bonds	1,022	1,014	1,023	0.1%
<b>Off-balance Sheet:</b>	11,662	10,131	10,712	(8.1%)
Investment units in unit trust funds	4,722	4,055	4,262	(9.7%)
Caixagest	3,058	2,490	2,698	(11.8%)
Fundimo	1,664	1,565	1,564	(6.0%)
Pension fund	2,188	2,075	2,129	(2.7%)
Wealth management(b)	4,752	4,001	4,321	9.1%
<b>Total</b>	104,163	100,340	100,080	(3.9%)
<b>Total excluding institutional investors</b>	85,308	85,989	86,538	1.4%

(a) Including fixed-rate insurance and unit-linked products.

(b) Does not include the CGD Group insurance companies' portfolio.

Due to difficulties in accessing capital market funding, resources taken from institutional investors in the form of own issues were down 28.2 per cent. by €5.3 billion in comparison with March 2011, and 5.6 per cent. by €0.8 billion since the beginning of the year to €13.5 billion.

“Off-balance sheet resources” were down 8.1 per cent. (to €10.7 million) at the end of March 2012, insofar this represents an improvement of 5.7 per cent. comparatively to the end of 2011. This evolution was aggravated by the changes occurred in the balances of Caixagest funds and the wealth management area.

<i>Shareholders' equity</i>	March 2011	December 2011	March 2012	Change March 2012/2011
	(€ million)	(€ million)	(€ million)	%.
Share capital .....	5,050	5,150	5,150	2.0%
Fair value reserves .....	(857)	(2,078)	(1,420)	-
Other reserves and retained earnings.....	1,759	1,708	1,162	(34.0%)
Minority shareholders' interests.....	1,448	1,045	1,044	(27.9%)
Net income for period.....	83	(488)	9	-
<b>Total.....</b>	<b>7,483</b>	<b>5,337</b>	<b>5,945</b>	<b>(20.6%)</b>

### *Solvency Ratio*

The Group's shareholders' equity stood at €5.9 billion at the end of the March 2012, up 11 per cent., over December 2011. The solvency ratio, on a consolidated basis, in March 2012, determined under the Basel II regulatory framework, stood at 11.7 per cent., while Core Tier 1 and Tier 1 ratios were at 9.6 per cent. and 9.2 per cent., respectively. These ratios include retained earnings. On 20 January 2012, CGD presented to the Bank of Portugal its capital plan required by the EBA with the aim of achieving a Core Tier 1 ratio of 9 per cent. as at 30 June 2012. On 29 June 2012, CGD disclosed its registered recapitalisation plan through the information disclosure system of CMVM ([www.cmvm.pt](http://www.cmvm.pt)).

### *Relationship with the Portuguese Government*

CGD is exclusively owned by the Portuguese Government and is regulated by general and specific regulations applicable to credit institutions and legislation applicable to public limited companies. The public nature of CGD is expected to be maintained and reinforced in the current context of the Portuguese financial system. CGD has complete autonomy in administrative and financial matters.

CGD's corporate objects are the performance of banking operations pursuant to the terms defined in its articles of association and subject to the scope of the limitations defined in applicable legislation. CGD provides the Portuguese Government with banking services in competition with other banks. CGD is additionally able to undertake any other functions which have been specifically given to it by law, the manner and terms of which are defined in contracts entered into with the Portuguese Government.

The rights of the Portuguese Government as shareholder are exercised by a representative appointed in a regulation issued by the Portuguese Minister of Finance.

### Board of Directors, General Meeting, Auditing Committee and Statutory Auditor of CGD

#### *General*

Pursuant to Decree-law no. 287/93 of 20 August 1993, CGD must at all times be held by the Portuguese State. CGD may, on a contractual basis, undertake special functions considered to be of national interest. There are three corporate bodies within CGD: the Board of Directors (“Conselho de Administração”), the General Meeting (“Assembleia Geral”) and the Auditing Committee (“Comissão de Auditoria”). The General Meeting is conducted under the direction of a General Meeting Board (“Mesa da Assembleia Geral”).

The members of the Board of Directors, Auditing Committee and the General Meeting Board are elected by the General Meeting. The Board of Directors appoints the Executive Committee. Since the Portuguese State holds the entire share capital of the Issuer, all such members are selected by the Portuguese Government. The current Board of Directors is composed of eleven members, a President, one Vice-President and nine Members, who were elected for a three year period. The term of office of the current members of the Board of Directors is due to last until 2013. The Board of Directors is responsible for the management, administration and representation of the Issuer. The Portuguese State is represented by the Ministry of Finance in the General Meeting. The Auditing Committee assists in the preparation of the Issuer's own and consolidated accounts. The Issuer has also a Statutory Auditor (“Revisor Oficial de Contas”) responsible for



certifying the same accounts, which is also elected by the General Meeting.

### Board of Directors

The following are the members of the Board of Directors of CGD, the business address of which is CGD's head office:

Name	Title	Position in other corporations, if any
Fernando Manuel Barbosa Faria de Oliveira .....	Chairman	Chairman the Board of Directors of Fundação Caixa Geral de Depósitos – Culturgest and Chairman of Board of Directors of the Portuguese Banking Association.
José Agostinho Martins de Matos .....	Vice-Chairman / Chairman of the Executive Committee	Chairman of the Board of Directors of Parcaixa, SGPS, SA and Member of Board of Directors the Portuguese Banking Association
António do Pranto Nogueira Leite.....	Member / Vice President of the Executive Committee	Chairman of the Board of Directors of Caixa – Banco de Investimentos, SA, Chairman of the Board of Directors of Partang ,SGPS, SA and Member of the Board of Directors of EDP Renováveis, SA
Norberto Emílio Sequeira da Rosa .....	Member / Vice President of the Executive Committee	Chairman of the Board of Directors of Caixa – Participações, SGPS, SA, Chairman of Board of Directors of Caixa Seguros e Saúde, SGPS, SA, Chairman of the Board of Directors of CAIXATEC – Tecnologias de Comunicação, SA, Chairman of the Board of Directors of Sogruppo – Sistemas de Informação, ACE, Chairman of the Board of Directors of Caixa Geral de Aposentações, Member of the Board of Directors of CIMPOR – Cimentos de Portugal, SGPS, SA, Member of the Board of Directors of SIBS – Sociedade Interbancária de Serviços, SA, Non- executive Member of the Board of Directors of SIBS Forward Payment Solutions, SA, Non-executive Member of the Board of Directors of ZON – Serviços de Telecomunicações Multimédia, SGPS, SA
João Nuno de Oliveira Jorge Palma...	Executive Member	Chairman of the Board of Directors of Sogruppo – Compras e Serviços Partilhados, ACE and Member of the

José Pedro Cabral dos Santos.....	Executive Member	Board of Directors of Banco Comercial e de Investimento, SA
Nuno Maria Pinto de Magalhães Fernandes Thomaz .....	Executive Member	Member of the Board of Directors of Caixa – Banco de Investimentos, SA
		Chairman of the Board of Directors of Caixa – Gestão de Activos, SGPS, SA, Chairman of the Board of Directors of Caixa – Imobiliário, SA, Chairman of the Board of Directors of Caixa Leasing and Factoring – IFIC, SA, Chairman of the Board of Directors of Imocaixa – Gestão Imobiliária, SA and Member of the Board of Directors of Locarent – Comp. Portuguesa Aluguer de Viaturas, SA
Rodolfo Vasco Castro Gomes Mascarenhas Lavrador .....	Executive Member	Chairman of the Board of Directors of Banco Caixa Geral – Brasil, S.A., Chairman of the Board of Directors of Banco Caixa Geral, S.A., Chairman of the Board of Directors of Banco Nacional Ultramarino, SA, Chairman of the Board of Directors of Parbanca, SGPS, SA, Vice-Chairman of the Board of Directors of Banco Caixa Geral Totta de Angola, SA, Vice-Chairman of the Board of Directors of Banco Comercial e de Investimentos, SA, and Member of Board of Directors of Partang, SGPS, SA and Chairman of the Wages Committee of Banco Caixa Geral, SA.
Prof. Álvaro José Barrigas do Nascimento .....	Member	Member of Auditing Committee of Caixa Geral Depósitos, SA
Prof. Eduardo Manuel Hintze da Paz Ferreira.....	Member	Chairman of the Auditing Committee of Caixa Geral Depósitos, SA
Pedro Miguel Duarte Rebelo de Sousa.....	Member	Member of the Auditing Committee Caixa Geral Depósitos, SA

No potential conflicts exist between any duties to the Issuer of the persons on the board of directors, as listed above, and their private interests or other duties in respect of their management roles.

The Issuer complies with the corporate governance regime in Portugal.

### General Meeting

The following are the members of the General Meeting Board of CGD, the business address of which is the Issuer's head office:

Name	Title
Manuel Carlos Lopes Porto .....	Chairman
Rui Manuel Parente Chancerelle de Machete.....	Vice-Chairman
José Lourenço Soares .....	Secretary

It is the Issuer's understanding that the members of the General Meeting Board comply with the requirements on independence and incompatibilities set forth in the Portuguese Companies Code.

### Auditing Committee

The following are the members of the Supervisory Board of CGD, the business address of which is the Issuer's head office:

Name	Title
Eduardo Manuel Hintze da Paz Ferreira.....	Chairman
Pedro Miguel Duarte Rebelo de Sousa.....	Member
Alvaro José Barrigas do Nascimento.....	Member

It is the Issuer's understanding that the members of the Supervisory Board comply with the requirements on independence and incompatibilities set forth in the Portuguese Companies Code. Furthermore, it is the Issuer's understanding that the Chairman, Eduardo Manuel Hintze de Paz Ferreira, complies with the suitability, knowledge and independency requirements set forth in the same Code.

### Statutory Auditor

The Statutory Auditor, elected by the General Meeting for the period of 2010 to 2012, is Oliveira Rego & Associados, SROC (represented by Manuel de Oliveira Rego), member of the Portuguese Institute of Statutory Auditors (“Ordem dos Revisores Oficiais de Contas”), registered with the CMVM with registration number 218, with registered office at Av. Praia da Vitória, no. 73, 2.º Esq. 1050-183 Lisboa, its substitute being Alvaro, Falcão & Associados, SROC (represented by Eleutério Ganilho Álvaro), member of the Portuguese Institute of Statutory Auditors, registered with the CMVM with registration number 222, with registered office at Rua Antero de Quental, no. 639, 4200-068 Porto.

### Recent Developments

On 6 February 2012, CGD Group announced that, through CGD PINF, a company incorporated in Brazil with a share capital owned by CaixaBI (50%) and by BCG - Brazil (50%), it entered into with the Banif Group the definitive agreements to acquire a stake in Banif Securities and Exchange Brokerage, SA ("Banif CVC"). This acquisition was made for about R\$ 130 million (EUR 57.8 million). This price was agreed and announced in June 2010 and the acquisition was made in two stages, first a capital increase in Banif CVC and subsequently a purchase of shares of this company, to achieve a 70% stake in Banif CVC. Banif CVC is a leading home broker (online brokerage) in Brazil with about 35 000 active clients.

This acquisition reinforces CGD Group's capacity in investment banking in Brazil, in which CGD obtained in 2010 a prominent position among the ten largest banks in Brazil in the area of project finance and of mergers and acquisitions, by official rankings of ANBIMA (Brazilian Association of Financial and Capital Markets). The entry in the brokerage area will allow a broad and consistent performance in the Brazilian capital market.

Moreover, the acquisition opens an important channel for attracting foreign investors considering the privileged access of CGD Group to a broader base of institutional clients, either directly or through its participation in the European Securities Network (ESN), a pan-European network of brokerage firms that covers 10 countries in Europe and with presence in the U.S. reaching 1,300 institutional investors and a research team of more than 120 analysts.

The deal is another important step in the expansion strategy of the Group CGD in Brazil, which demonstrates, once again, its great commitment to the country and to Portuguese-Brazilian relations.

CGD informed the market on 29 March 2012 that CGD, Amorim Energia, BV ("AEBV") and ENI SpA ("ENI"), agreed on the terms and conditions that will allow ENI to transfer its stake in GALP Energia, SGPS, SA ("Galp Energia"), and will no longer be part of the Shareholders Agreement entered into between them regarding Galp Energia.

Caixa Geral de Depósitos also informed the market on 29 March 2012 that CGD decided to sell a stake of 9.58% in Cimpor - Cimentos de Portugal, SGPS, SA ("CIMPOR") under the tender offer announced by InterCement Austria Holding mbH (Camargo Corrêa Group). The decision was subject to Votorantim Cement SA ("VC") releasing CGD from all obligations under the shareholder agreement in force between the two parties in terms that CGD considers satisfactory.

On 22 June 2012 it was disclosed to the market that (i) CGD sold to InterCement Austria Holding GmbH ("InterCement"), within the public tender offer launched by the latter, on June 18, 2012, 64,406,000 shares, corresponding to 9.5842% of the share capital of CIMPOR, and (ii) Fidelidade - Companhia de Seguros, S.A., and CGD's Pension Fund, managed by CGD Pensões – Sociedade Gestora de Fundos de Pensões, S.A. sold, within the same public tender offer launched by InterCement, the total amount of CIMPOR shares held, 89,748 and 156,353, respectively. Financial and physical settlement occurred on 25 June 2012.

Following the above mentioned sales, the CGD Group no longer holds any participation in CIMPOR share capital. Furthermore, in consequence of the referred disposal by CGD, the shareholder agreement signed by CGD and VC, on 3 February 2010, as well as its amendment signed on 13 March 2010, was extinguished by automatic resolution, for what the voting rights associated to 142,492,130 shares, held by VC, are no longer imputable to CGD.

In light of the above, and within the terms and for the purposes of article 20 of the Portuguese Securities Code, there are no longer CIMPOR voting rights imputable to CGD Group.

In compliance with the goals defined in the Economic and Financial Assistance Programme and requirements of the European Banking Authority (EBA) regarding the objectives for the capital ratio (Core Tier 1), on 27 June 2012 the Issuer has approved a recapitalisation plan for a total amount of 1,650 million Euros, comprising (i) an increase in its share capital of 750,000,000 euros, through the issue of 150,000,000 new nominative shares of 5 Euros each, subscribed at par value by its sole shareholder and (ii) an issue of hybrid financial instruments, eligible as core tier 1 capital, in a total amount of 900,000,000 Euros, fully subscribed by the Portuguese State.

The distribution of the aforementioned amount in stocks on contingent capital bonds (fulfilling the requirements defined in Attachment III of Recommendation EBA/REC/2011/1, of 8 December 2011) shall be defined in due course.

On 13 June 2012, CGD informed the market that CGD has sold, on an over the counter transaction, 33,181,144 shares of ZON MULTIMEDIA - TELECOMMUNICATIONS SERVICES AND MULTIMEDIA SGPS SA. ("ZON"), representing 10.735 per cent. of share capital and voting rights of ZON to JADEIUM BV, a company based in Amsterdam.

Fidelidade – Companhia de Seguros, the Group's insurance company and CGD's Pension Funds also have sold to the same purchaser, 215,000 shares and 483,387 shares respectively, representing 0.07 per cent. and 0.156 per cent. of the share capital and voting rights of ZON (without consideration of any own shares that ZON may hold), so the total stake of shares sold by CGD Group is 33,879,531 shares, representing a stake of 10.96 per cent. of ZON capital.

## **THE PORTUGUESE MORTGAGE MARKET AND THE SERVICING OF THE COVER POOL**

### **ECONOMIC ENVIRONMENT**

Over the last 16 years, Portugal's GDP growth has changed considerably. In the period from 1995 to 2011, Portuguese GDP grew at an average annual rate of 1.6 per cent., almost equal to the 1.6 per cent. in the European Union. However, in the last 5 years, Portugal's GDP growth has been lower than that of the euro area (minus 0.2 per cent. compared to 0.5 per cent.). In fact, GDP growth in the first quarter of 2012, keeping in trend with 2011, continued to be negative (minus 2.2 per cent., on a yearly basis, down from 0.6 per cent. in the first quarter of 2011). The Portuguese economy is expected to decrease by 3 per cent. in 2012, as the correction of macroeconomic imbalances takes its effect (according to the statistics of INE - Instituto Nacional de Estatística and to Eurostat).

At the same time, the Harmonised Index of Consumer Prices (HICP) is projected to grow by 3.2 per cent. in 2012 (3.7 per cent. in 2011), due to increases in Value Added Tax (VAT). The price for oil is also expected to increase, which will contribute to a rise in consumer prices.

Additionally, the labour market in Portugal has been affected by the economic recession in the last three years. A more flexible labour market trend is expected, in order to ensure greater adaptability to economic needs and evolution. The unemployment rate in Portugal in the first quarter of 2012 rose to 14.9 per cent. of the workforce, and appears likely to increase during 2012. Long term unemployment represents 51 per cent. of the unemployed population (according to INE and to the Paper on Budgetary Strategy for 2011-2016 by the Portuguese Ministry of Finance).

### **MORTGAGE EVOLUTION**

The Portuguese property sector is characterised by a relatively high ownership ratio (75 per cent.), resulting both from cultural reasons and from the absence of a well-functioning rental market. Thus, the housing market grew from 4.2 to 5.1 million dwellings between 1991 and 2000.

Since 2001, the number of dwellings in Portugal increased 15 per cent., surpassing the growth of families of just 6.1 per cent.. This trend explains the 31 per cent. reduction of house purchases between 2007 and 2011, from 281,365 to 194,000 buildings.

As a result, since 2006, the number of permits and new residential properties brought to market has been decreasing gradually. There was a 35 per cent. drop in the number of licensed houses in the period 2001-2008, following the slowing trend in demand for housing.

In the following period, there was a 71 per cent. drop in the number of licensed houses (from 58,399 in 2008 to just 16,706 in 2011), resulting from the difficulty of absorption of completed housing in a period of economic downturn.

However, it should be noted that, in the period from 2000 to 2007, the growth rate of real residential property prices in Portugal was lower than that of Ireland, the UK or Spain, as well as the euro area as a whole (-1.1 per cent.. average growth rate in Portugal against 4 per cent. in the euro area).

House valuations were stable in the period 2005-2007, in a non-speculative environment. Just before the subprime crisis, Portuguese nominal prices grew 2.3 per cent. in 2005, 2.1 per cent. in 2006 and 1.3 per cent. in 2007, whereas the euro area had a higher price evolution (7.6 per cent., 6.4 per cent. and 4.3 per cent. respectively).

Because speculative movements did not affect the Portuguese housing market, in the period 2008-2011, Portugal was less affected by the subprime crisis than other countries in the euro area, such as Spain or Ireland, and only a moderate decrease in the house price index was felt, from 2008 to 2011 (a decrease of 5 per cent., 2 per cent., 3 per cent. and 5 per cent. respectively).

In March 2012, Portugal's residential mortgage market was valued at €112.8 billion, around 70.7 per cent. of GDP in 2011. According to Bank of Portugal reports, total outstanding mortgages showed a turning point in March 2011, starting a declining cycle (down 1.48 per cent.), mainly due to a decrease in new lending activity which did not compensate for amortizations in outstanding loans.

The main reason for this trend in the mortgage market is the new lending activity in Portugal, which has been slowing down since the second quarter 2010, reflecting expectations of low consumer confidence and a continued weakness in the macroeconomic environment.

In the first quarter of 2012, new lending fell by 72 per cent. (achieving a value of €483 million in first quarter of 2012 in comparison with €1,734 million in first quarter of 2011) and a deterioration of mortgage activity is expected due to the economic and sovereign debt crisis, resulting in increased unemployment rates and consequently in a decrease in household disposable income.

Furthermore, the continuous tension in sovereign debt market and increased scarcity of funding are increasing mortgage rates in new loans by 1.42 per cent. in the first quarter of 2012 when compared with the first quarter of 2011.

The economic and sovereign debt crisis, in an environment characterised by increasing credit spreads and very limited market liquidity, is also changing priorities of the Portuguese banks in relation to mortgage lending, making the use of more restrictive lending criteria mandatory and implementing deleveraging programs.

The economic environment and the financial adjustment program associated with the request of financial assistance by Portugal to the ECB will imply a contraction in domestic demand, impacting on economic activity, disposable income and employment, and CGD is considering these issues when setting with its lending criteria and management of outstanding loans.

Furthermore, the weight of mortgage payments on disposable income is of crucial importance to CGD as housing loans constitute the largest liability of household debt and account for a large proportion of overall lending.

## **DESCRIPTION OF ISSUER'S RESIDENTIAL MORTGAGE BUSINESS**

The Issuer has a leading position in the retail banking sector in Portugal, both in residential mortgage lending and retail deposits. Prior to 1991, the Issuer was one of only three lenders that were allowed to operate in the housing finance market in Portugal. Currently, the Issuer's "Crédito Habitação" (residential mortgage loans) is one of the largest business areas within the Issuer.

As representing a benchmark operator in the domestic Portuguese financial system, the issuer has focused on its strategic guidelines for mortgage lending to individual customers and other property investors during the last years. The Issuer has increased its competitiveness with the aim of maintaining its leading position in this market.

The Issuer has responded to an ever increasingly competitive market with faster credit decision making mechanisms. This was the driver for the development of a new range of spreads which has significantly improved the conditions, and speed of decision making, for lower risk and higher value transactions. The Issuer has also taken important steps on the insurance side, to speed up the new funding procedure through the rapid processing of insurance applications. New guidelines determine the amount of the premium to be paid by customers, by reference to the insured capital, number of insurees and applicants' age.

The Issuer has also developed, through financial and cooperative agreements with various property market operators, alternative external channels to secure new business, including entering into conventions organised by major networks of brokers and financial consultants, operating under franchising regimes, which with the Issuer has commercial relations.

In addition to protocols with the referred property market operators, the Issuer has entered into a significant number of agreements, offering special terms to promissory purchasers of apartments in prestige developments, built with CGD corporate credit.

In partnership with the CGD Group insurance companies Fidelidade-Mundial and Império-Bonança, the Issuer has implemented the Assurfinance project, consisting of the sale of banking products by insurance company brokers. The last years have confirmed the positive effect of this project in the residential mortgage business.

More recently, external channels are being used to enhance selling houses owned by CGD as a result of mortgage delinquency.

Procedures designed to improve levels of service – whether through the branch network and via the internet – in terms of the appraisal of applications, speed, consideration of the application and particularly the decision-making procedure, are also being further developed.

These objectives are supported by integrated mortgage lending management applications – solution mortgage lending workflow – as an important element behind faster decisions, in addition to providing up-to-date information on any mortgage lending application.

### **Underwriting**

At the start of the loan origination process the applicant will request a mortgage loan from the Issuer, either through external channels or through direct contact with a branch.

A preliminary analysis is carried out by the branch staff. Applicants are required to provide some basic details (including age, civil status, spouse's age – if any –, details of other existing debts and liabilities both to the Issuer and other entities, the commercial relationship between the Issuer and the applicant, the intended use of the property, the property location, the purchase price of the property, the income of the applicant's family unit and the amount of loan).

The applicant is provided with information regarding the financial conditions attached to the mortgage loan and any associated expenses, together with a request list of the information and documents which the applicant is required to provide as part of the application process. The application process is in accordance with the “European Conduct Code” and the Bank of Portugal Notice 2/2010. This can also be processed automatically through the mortgage simulator, available on the Issuer’s website.

The information package includes: a completed loan application form, copies of the applicant's identity and taxpayer cards, up to date tax returns and/or payment receipts or tax liquidation note and a location map and plan of the property.

The Issuer reviews the following matters during the application process: applicant's income, debt to income and loan to value ratios and the applicant's credit profile. In establishing this information Issuer checks the internal databases and external databases (such as the Bank of Portugal's database) and applies for scoring systems under Basel II rules. The completed application is sent to the responsible officer at Issuer for approval.

Approval of a mortgage loan is the responsibility of different levels of management within the organisation, involving branch management, the regional, commercial and co-ordination managers, mortgage and real estate department and the Board of Directors, depending on the size and type of loan and pricing under consideration.



## **Insurance**

Property Insurance coverage is required to be in place when the mortgage loan is advanced. Fire or multi-risk insurance is compulsory for an amount equal to or greater than the property's reconstruction value.

Life insurance is mandatory since September 2002 for an amount equal to or greater than that of the loan.

Unemployment and health insurances are recommended, providing more competitive loan spreads.

## **Guarantee**

Loans are secured by first ranking mortgage over the property to be purchased. In exceptional cases, this may be replaced by a guarantee over another property or by a pledge of securities/deposits.

## **Mortgage Products**

CGD mortgage products comprise a wide range of products including “regime geral” mortgages and subsidised loans (which ended in September 2002) and loans granted to emigrants, disabled people and employees of the Issuer and non residents.

Residential mortgage loans originated by the Issuer can be up to 40 years in maturity (assuming that is totally amortised before the borrower reaches the age of 80 years old), with the exception for mortgages loans used to purchase houses owned by CGD as a result of mortgage delinquency. Most residential mortgage loans pay interest on a floating rate basis indexed to 3 or 6 month EURIBOR (as the rate varies quarterly or half yearly) with a spread depending on the loan-to-value ratio, the amount of the loan and the client profile, according to risk scoring model. Clients may also choose from a wide range of fixed rates at 2, 3, 5, 10, 15, 20, 25 and 30 years of maturity. 6 month Euribor is the only floating rate used for new loans.

All residential mortgage loans pay monthly instalments (comprising principal and interest) by direct debit. The direct debit system automatically debits the borrower's current account in CGD associated with the loan.

## **Credit decision**

Like other banks, CGD has inverted the product policies applied before the financial crisis, decreasing loan-to-value ratios and maturities as well introducing less flexible repayment schemes.

Since 2008, CGD has refocused its strategic guidelines for mortgage lending, having a priority concern in credit decisions, delinquency loans and customer profitability.

In Portugal, most residential mortgage loans pay interest on a floating rate basis, indexed to six-month Euribor with a spread depending on the loan to value ratio and the relevant clients' scoring under Basel II rules. While most banks offer fixed or capped rate alternatives, Portuguese borrowers have shown little interest in these types of products. The potential evolution of instalments and the impact on delinquency are considered in CGD credit decision.

In order to prevent future increases in Euribor and over indebtedness, CGD uses Euribor plus 2 per cent. and includes insurance costs in financial customer capacity evaluation for new loans, and through their inclusion in debt to income ratio.

Additionally, CGD has created the risk-adjusted pricing, a new model in credit decision, which seeks to respond to market developments and the requirements of Basel II.

This model comprises client scoring, which assesses the risk level of customers from a wide range of variables, such as socio-demographic, economic and financial and relationship ones.

This model focuses on lower risk customers, with lower levels of insurance on mortgage loan repayments. At the same time, this model penalises price levels and especially the decision, whenever customers most

likely to reveal potentially default. Additionally, CGD is applying a consistent rise in pricing, better adjusted to customer risk.

In pricing decisions, CGD applies different spreads related to cross-selling agreements established with the customer (insurance products, debit and credit cards, home banking, direct payments, deposits, etc.).

In order to preserve or enhance customer profitability, CGD launched, in March 2009, Advanced Price Differentiation (APD).

APD controls and enhances the profitability of operations, strengthens involvement with customers, increases cross-selling, promotes the maintenance of the conditions agreed and improves monitoring of portfolio of mortgages.

This integrated application controls cross-selling situation in mortgage loans, with the purpose of applying higher spreads on such contracts, if cross-selling first negotiated with the customer, is no longer effective.

APD allows identification of customers who do not comply with these cross-selling agreements, triggering a cross-selling alert and a future change of the loan price when applicable. The main purpose of the negotiation is to recover the cross-selling agreement; otherwise there will be a change in price. Thus, APD provides a better management of mortgage loans.

### **Delinquency management in the mortgage business**

Residential mortgage business in CGD requires a strict and consistent management of delinquency, using multiple solutions to prevent and mitigate non-performing loans.

Early detection of delinquency situations led to the creation in CGD of the concept of client in financial stress. A customer is in financial stress when the client records a default within the CGD Group, or when the client evidences difficulty in paying expenses, even if the customer is not yet in default.

In either circumstance, typically, the client has had a reduction of disposable income measured as an increase greater than 10 per cent. in their debt-to-income ratio when compared to that observed at the time of underwriting.

For these clients, Caixa has created in its information systems the predictive delinquency alert that detects customers:

- with a partial delay in paying of at least one mortgage instalment;
- using the totality of overdraft limit negotiated in a two-month period;
- using their full credit limit in credit cards at least once in the last 6 months;
- with an indication of credit written off, non-performing loans or credit renegotiation in Bank of Portugal's systems.

It also detects customers whose payments, by direct debit, are lagging behind or whose debit payments have been cleared.

In order to anticipate and prevent potential indebtedness situations in mortgages, this alert identifies possible cases of serious debt situations and allows CGD to act proactively by providing credit renegotiation solutions that will reduce the risk of default.

Simultaneously, CGD has created a new default commercial alert, sent monthly by e-mail to commercial departments, with mortgage loans which are in an early stage of default. This alert provides useful information to analyse and propose solutions for credit recovery (start date and end date, amount in default, amount in debt). This alert also adds customers' personal information, such as age, other credit in CGD and in the banking system. This alert allows local branches to identify more precisely the level of customer

responsibilities and study the solutions that are most appropriate to each particular case.

CGD has also created a delinquency data application, named “*Módulo Crédito Vencido*”, with information on overdue loans, which is updated daily with a high level of product and customer data. This system displays several lists of overdue loans that can be used to analyze and provide recovery solutions.

Delinquencies of less than 90 days are dealt with at branch level. During this period, branches are responsible for the recovery process. For this purpose, the branch receives automatic reports with information about delinquent loans. Delinquency notifications are sent automatically to the borrowers and or guarantors 25 and 55 days after the payment was due, warning that it was not possible to collect the instalment due, highlighting the amount owed, requesting it to be paid as quickly as possible and explaining that if non-compliance continues, then the matter will be sent to the credit recovery department.

At the same time, CGD’s call centre begins a series of initiatives that include text messaging and outbound contacts, with the purpose of obtaining from the customer a payment promise, or, if not feasible, a face-to-face meeting at the branch to examine and negotiate new solutions suitable to the customer’s financial situation.

Several solutions for recovery are usually applied, for instance payment plans, extending the term of the contract, capitalisation of instalment arrears, deferral of part of the outstanding principal, or changing the payment date.

After 90 days in arrears (except for loans in relation to which a recovery plan has been approved), the file is transferred to a centralised Credit Recovery Department, and a new notification is sent to the client. At the same time, the client is contacted to confirm that the client’s file has been transferred to a new department.

Thereafter, a negotiation team (“Recuperadores”) begins a negotiation process with the client whereby they try to understand the financial situation of the borrower and prepare a payment plan. If the client is unable to co-operate, a notification is sent after the 4th defaulting instalment, informing the client that the case will be referred to legal proceedings.

On the 5th defaulting instalment, if these internal procedures have had no effect, the client receives both a call from the call centre and a new notification from the Credit Recovery Department, indicating that litigation will be initiated.

The client has 30 days to reply and renegotiate its debt before the file is delivered to an external lawyer who will start court proceedings.

Finally, CGD has developed new tools, in the mortgage lending management applications, to support analysis and decision (scoring, financial effort, customer responsibilities), to automating and simplifying the process of change in post-contract and to reduce the time associated with the preparation of proposals and decision.

Therefore, this contractual changes optimization are now improving non-performing loans management and also preventing default in mortgage.

### **USE OF PROCEEDS**

The net proceeds resulting from each issue of Covered Bonds will be applied by the Issuer for its general corporate purposes.

## THE COVERED BONDS LAW

### FRAMEWORK

The Covered Bonds Law introduced a framework for the issuance of asset covered debt securities into Portuguese law.

The Covered Bonds Law has been supplemented by secondary legislation issued by the Bank of Portugal (the “**Bank of Portugal Regulations**”), which comprises both regulations (“*Avisos*”) and instructions. The Bank of Portugal Regulations address matters such as the segregation of cover pool assets from the insolvent estate of the issuer in the event of insolvency, the compliance with asset and liability matching requirements and the methodology for valuation of mortgages and properties.

### ISSUERS OF COVERED BONDS

Mortgage covered bonds (“*obrigações hipotecárias*”) may be issued by credit institutions (the “**Institutions**”) legally authorised to grant credits guaranteed by mortgages over property and having own funds amounting to no less than €7,500,000 euros. Institutions can either be universal credit institutions (“**Credit Institutions**”) or special credit institutions incorporated under the Covered Bonds Law specialising in the issuance of covered bonds (the “**Mortgage Credit Institutions**”).

If the issuer of covered bonds is a Credit Institution, there are no restrictions to its banking activities and it may issue covered bonds directly maintaining the underlying cover pool on its balance sheet.

If the issuer of covered bonds is a Mortgage Credit Institution, its authorised banking activity is restricted to granting and acquiring (i) credits guaranteed by mortgages, (ii) credits to, or guaranteed by, the central public administration, regional or local authorities of any EU Member State. Mortgage Credit Institutions may thus issue covered bonds backed by credits originated by itself or otherwise acquired from third party originators.

If covered bonds are issued by a Mortgage Credit Institution backed by credits acquired from a third party originator, the cover assets must be transferred to the Mortgage Credit Institution and, if such Mortgage Credit Institution is wholly-owned by such originator, the assets and liabilities relating to the relevant issue of covered bonds and the related cover pool will be consolidated with such originator. However, it is also possible for a Mortgage Credit Institution to have multiple owners, in which case the issues of covered bonds and the allocated cover pool may or may not be consolidated with the originator of the relevant credits.

An Institution must manage its cover pool as well as any properties that it may acquire as a result of the enforcement of delinquent mortgage credits. Institutions may also obtain additional liquidity.

In the event of insolvency, winding-up and dissolution of an Institution, the cover pool over which the holders of covered bonds have a special creditor privilege will be segregated from the insolvent estate of such Institution and will form a separate estate, i.e. an autonomous pool of assets managed in favour and to the benefit of the holders of covered bonds and other preferred creditors as specified in the Covered Bonds Law. In this respect, the Covered Bonds Law establishes a special regime which prevails over general Portuguese insolvency regulations.

If the cover assets are insufficient to meet interest and principal payments due on the covered bonds of the insolvent Institution, the holders of covered bonds will also rank *pari passu* with unsecured creditors of the Institution in relation to the remaining assets of the insolvent Institution.

### COVER ASSETS

The following assets are eligible to collateralise issues of covered bonds made by an Institution in accordance with the Covered Bonds Law:

- Pecuniary credit receivables which are not yet matured and neither subject to conditions nor encumbered, judicially seized or apprehended and secured by:
  - (a) first ranking mortgages over residential or commercial real estate located in an EU Member State or
  - (b) junior mortgages but where all Mortgage Credits ranking senior thereto are held by the Issuer and are also allocated to the Cover Pool; or
  - (c) a personal guarantee granted by a credit institution or an appropriate insurance policy, in any case together with a mortgage counter guarantee evidencing (a) or (b) above.
- Other assets (up to 20 per cent. of the aggregate cover pool), such as:
  - deposits with the Bank of Portugal in cash or securities eligible for credit transactions in the Eurosystem;
  - current or term account deposits with credit institutions (which are not in a control or group relationship with the Issuer) having a rating at least equal to "A-" or equivalent, unless a higher rating has been agreed with any Rating Agency, in which case such higher rating shall be met; and
  - other assets complying simultaneously with the requisites of low risk and high liquidity as defined by the Bank of Portugal.

The geographical scope of eligible assets is restricted to credits guaranteed by first ranking mortgages on property located in the EU or loans granted to central governments and regional or local authorities located in an EU Member State.

Hedging contracts may also be included in the cover pool for hedging purposes, namely to hedge interest rate, exchange rate and liquidity risks. The Bank of Portugal Regulations contain certain rules governing the limits and conditions for the use of these hedging contracts.

The cover pool is of a dynamic nature. Accordingly, the Institution may be required, or may otherwise decide to, include new assets in such cover pool or substitute assets in case the existing ones no longer comply with the applicable financial and prudential requirements.

Furthermore, an Institution is required by the Covered Bonds Law to maintain a register of all the assets comprised in the cover pool, including hedging contracts.

#### **VALUATION AND LTV CRITERIA**

Institutions are required to conduct valuations of mortgage properties and periodic updates of such valuations in accordance with the rules defined by the Bank of Portugal (in particular, pursuant to Regulation 5/2006, which establishes rules on the methods and frequency of the valuations of assets and derivatives).

The maximum Loan to Value for residential mortgages is 80 per cent. and 60 per cent. for commercial mortgages loans.

The value of each property securing a mortgage credit comprised in a cover pool may not be higher than the commercial value of such property, determined in accordance with a prudent criteria and taking into consideration: (i) the sustainable long term characteristics of such property, (ii) the standard conditions of the local market, (iii) the current use of the relevant property, and (iv) any alternative uses of each such property.

Pursuant to the requirements of Regulation 5/2006, the commercial value awarded by an issuer of covered

bonds to each of the properties securing mortgage credits comprised in a cover pool may not be higher than the market value of the relevant properties. For these purposes, the market value of each property corresponds to the price by which such property can be purchased by a third party purchaser on the date of the valuation of such property, assuming that (i) the property is publicly put on sale, (ii) the market conditions allow for a regular transfer of the property and (iii) there is a normal period of time to negotiate the corresponding purchase and sale, considering the nature of the property.

Regulation 5/2006 contains detailed provisions regarding valuation of properties securing mortgage credits included in a cover pool (including subsequent valuations), the methods and frequency for such valuations, the appointment, remuneration and role of the real estate valuation experts and transitional provisions concerning valuations made prior to the enactment of the Bank of Portugal Regulations.

#### **ASSET-LIABILITY MANAGEMENT AND FINANCIAL REQUIREMENTS**

The Covered Bonds Law and the Bank of Portugal Regulations establish the following asset and liabilities matching requirements:

- The global nominal value of the outstanding mortgage covered bonds cannot exceed 95 per cent. of the global value of the mortgage credits and other assets at any time comprised in the relevant cover pool (i.e., a mandatory overcollateralisation of 5.2632 per cent.);
- The average maturity of outstanding mortgage covered bonds cannot exceed the average maturity of the mortgage credits and substitution assets allocated to the relevant issue of covered bonds;
- The total amount of interest to be paid by an Institution under any covered bonds shall not exceed, at any point in time, the amount of interest to be collected from the mortgage credits and other assets comprised in the cover pool backing the relevant issue of covered bonds – this means, therefore, that under the Covered Bonds Law cash flows from the cover pool must at all times be sufficient to meet all scheduled payments due to the holders of covered bonds;
- The net present value of the liabilities arising from issues of covered bonds pursuant to the Covered Bonds Law cannot exceed the net present value of the cover pool assigned to such covered bonds, including any hedging contracts also comprised in the cover pool. This ratio must also be met for 200 basis points parallel shifts in the yield curve.

For the purposes of the calculation of the level of overcollateralisation, as well as of the remaining financial and prudential requirements, Institutions are required to use the following criteria:

- (i) the mortgage credits shall be accounted for the nominal value of their outstanding principal, including any accrued but unpaid interest;
- (ii) the covered bonds shall be accounted according to the nominal value of outstanding principal, including accrued but unpaid interest; and
- (iii) in relation to any other assets:
  - (a) deposits shall be accounted for according to their amount together with any accrued but unpaid interest; and
  - (b) securities eligible for Eurosystem credit transactions shall be accounted for under margin valuation rules laid down by the Eurosystem or, if lower, according to their nominal value, including accrued but unpaid interests.

If the relevant covered bonds are denominated in any currency other than euro, the Institution must use the exchange rates published by the ECB as a reference.

The Covered Bonds Law also contains rules regarding the management of the cover pool allocated to one or

more issues of covered bonds, allowing the Institution, *inter alia*, to assign new mortgage credits to the cover pool. The Institution may also enter into irrevocable credit facilities for the provision of liquidity in connection with the liabilities arising under the covered bonds. The credit facility counterparty must have a minimum credit rating of “A-” or equivalent.

An Institution is entitled to enter into derivatives contracts to hedge interest, exchange rate and liquidity risks. These derivatives contracts are also included in the cover pool and the derivative counterparties (who also benefit from the special creditor privilege) have to be rated “A-” or above. If a particular issue of covered bonds is denominated in a currency other than euro, the Institution must enter into adequate hedging contracts for the purpose of hedging the relevant currency exchange risk.

If the limits and requirements established in the Covered Bonds Law are exceeded, the issuer is required to remedy the situation immediately by (i) allocating new mortgage credits, (ii) purchasing outstanding covered bonds in the secondary market and/or (iii) allocating other eligible assets.

Mortgage credits that become delinquent after being allocated to the cover pool may still remain in such cover pool provided that the delinquency period is not equal to or higher than 90 days, in which case such mortgage credits must be removed from the cover pool by the Institution and, if necessary to comply with the prudential requirements established in the Covered Bonds Law, substituted by new mortgage credits.

Mortgage credits underlying covered bonds may only be sold or pledged if the Institution allocates new mortgage credits to the covered bonds sufficient to maintain compliance with the financial and prudential requirements set forth in the Covered Bonds Law.

Instruction 13/2006 contains rules to be followed in respect of notices to the Bank of Portugal regarding the issue of covered bonds under the Covered Bonds Law. Prior to a first issuance of covered bonds, and on each subsequent issuance, an Institution is required to provide the Bank of Portugal with certain documentation and information, including a chart showing the detailed composition of the autonomous pool of assets allocated to the covered bonds. On a monthly basis, the Institution is required to provide the Bank of Portugal with information on the number and amount of covered bonds outstanding and on any new issues of covered bonds and redemptions occurred.

#### **COVER POOL MONITOR, COMMON REPRESENTATIVE AND BANKING SUPERVISION**

The Board of Directors of the Institution is required to appoint an independent auditor registered with the CMVM for the purposes of monitoring the compliance by such Institution of the financial and prudential requirements established in the Covered Bonds Law.

Pursuant to the Covered Bonds Law, the independent auditor is required to issue an annual report covering the compliance by the issuer with the applicable legal and regulatory requirements.

Also, a common representative of the holders of the covered bonds – common to all mortgage or public covered bond issues – must be appointed by the Board of Directors of the Institution in order to represent the interests of the holders of covered bonds.

The Bank of Portugal and the CMVM carry out banking and capital markets supervision respectively.

#### **SEGREGATION OF COVER ASSETS AND INSOLVENCY REMOTENESS**

##### *Asset segregation*

The assets and hedging contracts allocated by the Institution to the issues of covered bonds will remain and be registered in separate accounts of the Institution. The register will be maintained in codified form and the code key will be deposited with the Bank of Portugal. This information will be deposited with the Bank of Portugal in the form of a code key. If the holders of covered bonds decide to accelerate the relevant covered bonds pursuant to article 4.5 of the Covered Bonds, the common representative of such holders shall request the Bank of Portugal to disclose the information associated to such code key.



The assets included in the register maintained by the Institution will form a segregated estate over which the holders of the covered bonds will have a special creditor privilege (“*privilégio creditório*”), in particular in case of winding-up and dissolution of the Institution.

In the event of insolvency of the Institution, the assets allocated to one or more issues of covered bonds will be segregated from the corresponding insolvent estate and will be managed autonomously by a third party until full payment of the amounts due to the holders of covered bonds. In any case, and even if the Institution is declared insolvent, the Covered Bonds Law determines that timely payments of interest and reimbursements under the covered bonds shall continue to be carried out.

In the case of voluntary dissolution of an Institution, the plan for such dissolution and winding-up, which shall be submitted to the Bank of Portugal pursuant to article 35-A of the Credit Institutions General Regime, shall identify a Substitute Credit Institution appointed to (i) manage the relevant cover pool allocated to the covered bonds outstanding, and (ii) ensure that the payments of any amounts due to the holders of such covered bonds are made. Such project shall also describe the general framework and conditions under which those actions will be rendered by the Substitute Credit Institution.

If the authorisation of an Institution to act as a credit institution in Portugal is revoked, the Bank of Portugal shall, simultaneously with the decision to revoke such authorisation, also appoint a Substitute Credit Institution to manage the relevant cover pool allocated to the covered bonds outstanding and to ensure that payments due to the holders of such covered bonds are made.

In accordance with Regulation 8/2006, any Substitute Credit Institution appointed by the Bank of Portugal to service the cover pool following insolvency of the Institution shall: (i) immediately upon being appointed, prepare an opening balance sheet in relation to the cover pool, supplemented by the corresponding explanatory notes; (ii) perform all acts and things necessary or convenient for the prudent management of the cover pool, including, without limitation, selling the mortgage credits comprised in the cover pool; ensuring the timely collection in respect of the mortgage assets comprised in the cover pool; and performing all other acts and administrative services in connection with such mortgage assets and related mortgages and additional security; (iii) maintain and keep updated a segregated register of the cover pool in accordance with the Covered Bonds Law; and (iv) prepare an annual financial report in relation to the cover pool and the outstanding covered bonds, which report shall be the subject of an auditing report produced by an independent auditor who shall be appointed as cover pool monitor by the Substitute Credit Institution.

Furthermore, any Substitute Credit Institution appointed by the Bank of Portugal to service the cover pool following the insolvency of an Institution shall perform all acts and things necessary or convenient for maintaining the relationship with the borrowers under the mortgage credits comprised in the relevant cover pool.

#### *Preferential status for covered bonds holders*

Pursuant to the Covered Bonds Law, holders of covered bonds benefit from a **special creditor privilege** over the assets assigned to the issue, with precedence over any other creditors, for the purpose of redemption of principal and receipt of interest corresponding to the relevant covered bonds.

The mortgages that serve as collateral for the entitlements of the holders of covered bonds prevail over any real estate preferential claims. If the assets comprised in the cover pool are not enough to pay interest and principal under the covered bonds, the holders of covered bonds will then rank *pari passu* with unsecured creditors of the relevant Institution.

The hedging contracts entered into by the Institution also form part of the cover pool and thus the relevant counterparties will also benefit from the **special creditor privilege** over such cover pool. Accordingly, these counterparties will have similar rights to those of the holders of the covered bonds and, consequently, their contracts are not expected to be called in case of insolvency of the Institution.

Pursuant to the Covered Bonds Law, in the case of dissolution and winding-up of an Institution, a meeting

of holders of all Series of covered bonds then outstanding may decide, by a 2/3 majority vote, to accelerate the covered bonds, in which case the administrator shall provide for the settlement of the estate allocated to the relevant issue in accordance with the provisions defined in the Covered Bonds Law and in the relevant terms and conditions that govern such issue.

#### **RISK-WEIGHTING & COMPLIANCE WITH EUROPEAN LEGISLATION**

Covered bonds issued in accordance with the Covered Bonds Law are in compliance with the requirements of article 52 para. 4 of the UCITS Directive as well as with Annex VI, Part 1, Paragraph 68 (a) to (f) of the Capital Requirements Directive. Accordingly, pursuant to Regulation 7/2006, a 10 per cent. risk-weight shall be applied to covered bonds issued pursuant to the Covered Bonds Law.

## TAXATION

### Portugal

The following is a general description of certain Portuguese tax consequences of the acquisition and ownership of Covered Bonds. It does not purport to be an exhaustive description of all tax considerations that may be relevant to decide about the purchase of Covered Bonds. Notably, the following general discussion does not consider any specific facts or circumstances that may apply to a particular purchaser.

This summary is based on the laws of Portugal currently in full force and effect and as applied on the date of this Base Prospectus, thus being subject to variation, possibly with retroactive or retrospective effect.

Prospective purchasers of Covered Bonds are advised to consult their own tax advisers as to the tax consequences resulting from the purchase, ownership and disposition of Covered Bonds, including the effect of any state or local taxes, under the tax laws of Portugal and each country where they are, or deemed to be, residents.

The economic advantages deriving from interests, amortisation or reimbursement premiums and other types of remuneration arising from Covered Bonds issued by private entities are qualified as investment income for Portuguese tax purposes.

### General Tax Regime on Debt Securities

Interest and other types of investment income obtained on Covered Bonds by a Portuguese resident individual is subject to individual income tax. If the payment of interest or other investment income is made available to Portuguese resident individuals, withholding tax applies at a rate of 25 per cent., which is the final tax on that income unless the individual elects to include such income in his taxable income, subject to tax at progressive rates of up to 46.5 per cent. (plus an additional surcharge of 2.5 per cent. applicable to income exceeding €153,300 obtained in 2012 and 2013). In this case, the tax withheld is deemed a payment on account of the final tax due. Interest and other investment income paid or made available ("*colocado à disposição*") to accounts in the name of one or more accountholders acting on behalf of one or more unidentified third parties is subject to a final withholding tax rate of 30 per cent., unless the relevant beneficial owner(s) of the income is/are identified and as a consequence the tax rates applicable to such beneficial owner(s) will apply.

Capital gains obtained by Portuguese resident individuals on the transfer of Covered Bonds are taxed at a special tax rate of 25 per cent. levied on the positive difference between the capital gains and capital losses of each year. In this respect, an income tax exemption applies if the annual positive difference obtained with the transfer of shares, bonds and other securities does not exceed €500. Accrued interest qualifies as interest, rather than as capital gains, for tax purposes. In addition, the positive difference between the capital gains and capital losses resulting from the disposal of shares held for more than 12 months, notes and other debt securities held by investment funds incorporated under Portugal laws is exempt from tax, except in the case of mixed or closed ended investment funds of private subscription to which the rules established in the CIRS apply.

Interest and other investment income derived from Covered Bonds and capital gains obtained with the transfer of Covered Bonds by legal persons resident for tax purposes in Portugal and by non resident legal persons with a permanent establishment in Portugal to which the income or gains are attributable are included in their taxable income and are subject to Corporate Income Tax at the rate of 25 per cent., to which may be added a municipal surcharge (*derrama municipal*) of up to 1.5 per cent. of its taxable income. Withholding tax at a rate of 25 per cent. applies on interest and other investment income, which is deemed a payment on account of the final tax due (except where the beneficiary is either a financial institution or an exempt entity as specified by current Portuguese tax law). Corporate taxpayers with a taxable income of more than €1,500,000 are also subject to State surcharge ("*derrama estadual*") of 3 per cent. on the part of its taxable profits exceeding €1,500,000 up to €10,000,000, and of 5 per cent, on the part of the taxable

profits that exceeds € 10,000,000.

As general rule, withholding tax at a rate of 25 per cent. applies on interest and other investment income, which is deemed a payment on account of the final tax due. Financial institutions subject to tax in Portugal, pension funds, retirement and/or education savings funds, share savings funds, venture capital funds incorporated under the laws in Portugal and some exempt entities are not subject to Portuguese withholding tax.

Investment income paid or made available (*colocado à disposição*) to accounts opened in the name of one or more resident accountholders or non resident accountholders with a permanent establishment in Portugal acting on behalf of one or more unidentified third parties is subject to a final withholding tax rate of 30 per cent., unless the relevant beneficial owner(s) of the income is/are identified and as a consequence the tax rates applicable to such beneficial owner(s) will apply.

Without prejudice to the special debt securities tax regime as described below, the general tax regime on debt securities applicable to non resident entities without a permanent establishment in Portugal is the following:

Interest and other types of investment income obtained by non resident beneficial owners (individuals or legal persons) without a permanent establishment in Portugal to which the income is attributable is subject to withholding tax at a rate of 25 per cent. for non resident individuals or legal persons, which is the final tax on that income.

Investment income paid or made available to accounts opened in the name of one or more non resident accountholders without a permanent establishment in Portugal acting on behalf of one or more unidentified third parties is subject to a final withholding tax rate of 30 per cent., unless the relevant beneficial owner(s) of the income is/are identified and as a consequence the tax rates applicable to such beneficial owner(s) will apply.

A withholding tax rate of 30 per cent. applies in case of investment income payments to individuals or companies domiciled in a “low tax jurisdictions” list approved by Ministerial order (Portaria) no. 150/2004 of 13 February, as amended by Ministerial order (Portaria) 292/2011, of 8 November 2011.

Under the tax treaties entered into by Portugal which are in full force and effect on the date of this Prospectus, the withholding tax rate may be reduced to 15, 12, 10 or 5 per cent., depending on the applicable treaty and provided that the relevant formalities (including certification of residence by the tax authorities of the beneficial owners of the interest and other investment income) are met. The reduction may apply at source or through the refund of the excess tax. The forms currently applicable for these purposes may be available for viewing and downloading at [www.portaldasfinancas.gov.pt](http://www.portaldasfinancas.gov.pt).

Capital gains obtained on the transfer of Covered Bonds by non resident individuals without a permanent establishment in Portugal to which gains are attributable are exempt from Portuguese capital gains taxation. This exemption shall not apply if the beneficial owner is resident in a country, territory or region subject to a clearly more favourable tax regime included in the “low tax jurisdictions” list approved by Ministerial order (Portaria) no. 150/2004 of 13 February, as amended by Ministerial order (Portaria) 292/2011, of 8 November 2011 (*Lista dos países, territórios e regiões com regimes de tributação privilegiada, claramente mais favoráveis*). Capital gains obtained by individuals that are not entitled to said exemption will be subject to taxation at a 25 per cent. flat rate. Under the tax treaties entered into by Portugal, such gains are usually not subject to Portuguese personal income tax, but the applicable rules should be confirmed on a case by case basis. Accrued interest does not qualify as capital gains for tax purposes.

Capital gains obtained on the disposal of Covered Bonds by a legal person non resident in Portugal for tax purposes and without a permanent establishment in Portugal to which gains are attributable are exempt from Portuguese capital gains taxation. This exemption shall not apply if the beneficial owner is more than 25 per cent. directly or indirectly held by Portuguese resident entities or if the beneficial owner is resident in a

country, territory or region subject to a clearly more favourable tax regime included in the “low tax jurisdictions” list approved by Ministerial order (Portaria) no. 150/2004 of 13 February, as amended by Ministerial order (Portaria) 292/2011, of 8 November 2011 (*Lista dos países, territórios e regiões com regimes de tributação privilegiada, claramente mais favoráveis*). If the exemption does not apply, the gains will be subject to corporate income tax at a rate of 25 per cent.. Under the tax treaties entered into by Portugal, such gains are usually not subject to Portuguese tax, but the applicable rules should be confirmed on a case by case basis.

### **Special debt securities tax regime**

Pursuant to Decree-law 193/2005, of 7 November 2005, as amended from time to time, (“**Decree-law 193/2005**”), investment income regarding the Covered Bonds, as well as capital gains deriving from a sale or other disposition of such Covered Bonds, will be exempt from Portuguese income tax, and consequently from withholding tax, provided that: (i) the beneficial owners of Covered Bonds have no residence, head office, effective management or permanent establishment in the Portuguese territory to which the income is attributable; (ii) they are not domiciled in a country, territory or region subject to a clearly more favourable tax regime included in the list approved by the Order issued by the Portuguese Minister of Finance and Public Administration (currently *Portaria do Ministro das Finanças e da Administração Pública* n. 150/2004, of 13 February 2004, as amended by Ministerial order (Portaria) 292/2011, of 8 November 2011), with the exception of central banks and agencies bearing governmental nature of those blacklisted jurisdictions; and (iii) they are non-resident entities who are not held, directly or indirectly, in more than 20 per cent. by Portuguese resident entities.

Decree-law 193/2005 established the applicable instrument in respect of the provision of evidence of non-residence by the beneficial owners of Covered Bonds for the purpose of the above tax exemptions and that the absence of evidence of non-residence in relation to any beneficial owner of Covered Bonds which benefits from the above mentioned tax exemptions shall result in the loss of the tax exemptions and consequent submission to the applicable Portuguese general tax provisions.

In order to benefit from the taxation regime contained in Decree-law 193/2005, the Covered Bonds must be integrated in centralised system for securities recognized under the terms of the Portuguese Securities Code (such as Central de Valores Mobiliários managed by Interbolsa) and complementary legislation.

Under Decree-law 193/2005, the direct register entity (i.e. the entity affiliated to the centralised system where the securities are integrated), as the entity holding the relevant account with the relevant centralised system in which the Covered Bonds are integrated, will be under the obligation to obtain and maintain evidence that the effective beneficiary is a non-resident entity as set out below. As general rule, the evidence of non-residence by the beneficial owners of Covered Bonds must be provided to and received by the direct registration entities prior to the relevant date for payment of any interest or to the redemption date (for Zero Coupon Covered Bonds) and to the transfer of Covered Bonds, as the case may be. The relevant tax shall be withheld by the relevant direct registering entity if the requirements for a withholding tax exemption are not met.

#### **(a) Domestic Clearing Covered Bonds**

Each beneficial owner of Covered Bonds must provide to the direct register entity, the respective proof of non residence in Portuguese territory substantially in the terms set forth below.

- (i) If a beneficial owner of Covered Bonds is a central bank, public institution, international body, credit institution, financial company, pension fund, insurance company with its head office in any OECD country or in a country with which Portugal has entered into a double taxation treaty and is subject to a special supervision regime or administrative registration, certification shall be made by means of the following: (A) its tax identification<sup>2</sup> ; or (B) a certificate issued by the entity responsible for such supervision or registration confirming the legal existence of the beneficial owner of Covered Bonds and its head office; or (C) a declaration of tax residence issued by the beneficial owner of Covered

Bonds itself, duly signed and authenticated, if a central bank, public law entity taking part on the public administration (either central, regional or peripheral, indirect or autonomous of the country of the relevant beneficial owner of Covered Bonds) or an international body; or (D) proof of non-residence, pursuant to the terms of paragraph (iii) below, so long as the beneficial owner of Covered Bonds provides the confirmation referred to in paragraph (iii) below. When the Covered Bonds are held by Central Banks or governmental agencies the respective proof of non-residence in Portugal is provided just once, its periodical renewal not being necessary.

- (ii) If a beneficial owner of Covered Bonds is either an investment fund or a collective investment scheme domiciled in any OECD country or any country with which Portugal has entered into a double tax treaty, certification shall be provided by means of any of the following documents: (A) declaration issued by the entity which is responsible for its registration or supervision or by the tax authorities, confirming its legal existence, domicile and law of incorporation; or (B) proof of non-residence pursuant to the terms of paragraph (iii) below, so long as the beneficial owners of Covered Bonds provide the confirmation referred to in paragraph (iii) below.
- (iii) In any other case, information provided in accordance with the following rules: confirmation must be made by the relevant beneficial owner of Covered Bonds by way of (A) a certificate of residence or equivalent document issued by the relevant tax authorities, (B) a document issued by the relevant Portuguese Consulate certifying residence abroad, or (C) a document specifically issued by an official entity taking part of the public administration (either central, regional or peripheral, indirect or autonomous) of the relevant country; for these purposes, an identification document such as a passport or an identity card or document by means of which it is indirectly possible to presume the relevant tax residence (such as a work or permanent residency permit) are not acceptable.

There are rules relating to the authenticity and validity of the documents mentioned in paragraph (iii) above, in particular that the beneficial owner of Covered Bonds must provide an original or a certified copy of the residence certificate or equivalent document. This document must be issued up to until 3 months after the date on which the withholding tax would have been applied and will be valid for a 3 year period starting on the date such document is produced. The beneficial owner of Covered Bonds must inform the register entity immediately of any change on the requirement conditions that may eliminate the tax exemption.

If the conditions for the exemption to apply are met, but, due to inaccurate or insufficient information, tax was withheld, a special refund procedure is available under the special regime approved by Decree-Law 193/2005. The refund claim is to be submitted to the direct or indirect register entity of the Covered Bonds within 90 days from the date the withholding took place. A special tax form for these purposes was approved by Order (Despacho) n. 4980/2006 (2nd series), published in the Portuguese official gazette, second series, n. 45, of 3 March 2006 issued by the Portuguese Minister of Finance and Public Administration and may be available at [www.portaldasfinancas.gov.pt](http://www.portaldasfinancas.gov.pt).

The refund of withholding tax in other circumstances or after the above 90 day period is to be claimed from the Portuguese tax authorities under the general procedures and within the general deadlines.

#### **(b) Internationally Cleared Covered Bonds**

If the Covered Bonds are held through Interbolsa or any other centralised depository system for securities recognised under the Portuguese Securities Code and complementary legislation, and registered in an account with an international clearing system (in particular Euroclear or Clearstream, Luxembourg) and the management entity of such international clearing system undertakes not to provide registration services to (i) residents for tax purposes in Portugal which do not benefit from either an exemption or waiver of Portuguese withholding tax, and (ii) non-resident entities for tax purposes which do not benefit from the

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<sup>2</sup> A document issued by the relevant tax authority which evidences the status of the beneficial owner of the Covered bonds as tax payer of the applicable jurisdiction, which may be a copy of pre-existing tax identification or other document of similar effect.

above Portuguese income tax exemption, the proof of the requirements to benefit from the exemption is performed as follows:

- (i) Through presentation of a certificate, on a yearly basis, with the name of each beneficial owner, address, tax payer number (if applicable), the identity of the securities, the quantity held and also the reference to the legislation supporting the exemption or the waiver from Portuguese withholding tax. The following corresponds to the wording and contents of the form of certificate for exemption from Portuguese withholding tax on income from debt securities, as contained in Order (“*Despacho*”) n. 4980/2006 (second series), published in the Portuguese official diary, second series, n. 45, of 3 March 2006 issued by the Portuguese Minister of Finance and Public Administration (currently “*Ministro das Finanças e da Administração Pública*”):

**CERTIFICATE FOR EXEMPTION FROM PORTUGUESE WITHHOLDING TAX ON INCOME ARISING FROM DEBT SECURITIES (PARAGRAPH 1 OF ARTICLE 17 OF THE SPECIAL TAX REGIME APPROVED BY THE DECREE-LAW 193/2005, OF 7 NOVEMBER 2005)**

The undersigned Participant hereby declares that he holds debt securities covered by the special tax regime approved by Decree-law 193/2005, of 7 November 2005 (the “**Securities**”), in the following securities account number (the “**Account**”) with (name and complete address of the international clearing system managing entity).

We will hold these Securities in our capacity as beneficial owner or in our capacity as intermediary, holding Securities on behalf of one or more beneficial owners, including ourselves, if applicable, all of whom are eligible for exemption at source from Portuguese withholding tax according to the laws of Portugal.

**1. We are:**

Name:

Residence for tax purposes (full address):

Tax ID Number:

**2. We hereby certify that, from the date hereof until the expiry date of this certificate:**

**A. We are the beneficial owner of the following Securities:**

Security ISIN or Common Code	Security description	Nominal position

and we hereby declare that we are not liable to Portuguese withholding tax, in accordance with the applicable legislation, indicated below:

- Decree-law 193/2005, of 7 November 2005 ☐
- Art. 97 of CIRC (“*Corporate Income Tax Code*”) – Exemption from withholding tax ☐

**B. We are intermediaries of the following Securities:**

Security ISIN or Common Code	Security description	Nominal position

which are held on behalf of:

Name:

Residence for tax purposes (full address):

Tax ID Number:

and we attach a statement of beneficial ownership, which includes the reason for exemption from personal or corporate income withholding tax.

**3.** We hereby undertake to provide the (name of the international clearing system managing entity) with a document evidencing the exemption from personal or corporate income withholding tax referred in the attached statement of beneficial ownership, whenever the beneficial owner is not a central bank, public institution, international body, credit institution, financing company, pensions fund and insurance company resident in any OECD country or in a country with which Portugal has entered into a Convention for the Avoidance of International Double Taxation, on behalf of which we hold Portuguese debt securities in the Account.

**4.** We hereby undertake to notify the (name of the international clearing system managing entity) promptly in the event that any information contained in this certificate becomes untrue or incomplete.

**5.** We acknowledge that certification is required in connection with Portuguese law and we irrevocably authorise (name of the international clearing system managing entity) and its Depository to collect and forward this certificate or a copy hereof, any attachments and any information relating to it, to the Portuguese authorities, including tax authorities.

**6.** This statement is valid for a period of twelve months as from the date of signature.

PLACE:

DATE:

Authorised Signatory

Name

Title/Position

Authorised Signatory

Name

Title/Position



**APPENDIX**  
**STATEMENT OF BENEFICIAL OWNERSHIP**

The undersigned beneficiary:

- Name:
- Address:
- Tax ID number:

Holding via the following financial intermediary:

- Name of the financial intermediary:
- Account number:

The following securities:

- Common /ISIN code:
- Security name:
- Payment date:
- Nominal position:

1. Hereby declares that he/she/it is the beneficial owner of the above-mentioned securities and nominal position at the payment date ; and

2. Hereby declares that he/she/it is not liable to withholding tax, in accordance with the applicable legislation, indicated hereinafter (tick where applicable):

- Decree-law 193/2005, of 7 November 2005 ☐
- Art. 97 of CIRC (“*Corporate Income Tax Code*”) – Exemption from withholding tax ☐
- Art. 9 of CIRC – State, Autonomous Regions, local authorities, their associations governed by public law and social security federations and institutions ☐
- Art. 10 of CIRC – General Public Interest Companies, Charities and other non-governmental social entities; exemption by Ministerial Regulation no. , published in *Diário da República* ☐
- Art. 16 of EBF (“*Tax Incentives Statute*”) – Pension Funds and assimilated funds ☐
- Art. 21 of EBF – Retirement Savings Funds (FPR) ☐
- Art. 23 of EBF – Venture Capital Investment Funds ☐
- Art. 26 of EBF – Stock Savings Funds (FPA) ☐
- Other legislation (please give details) ☐

This document is to be provided to the Portuguese tax authorities, upon request, pursuant to Article 17 of the Special Tax Regime approved by the Decree-law 193/2005, of 7 November 2005.

Authorised signatory:

Name:

Title:

Signature:

- (ii) Alternatively, through a yearly declaration that states that the beneficial owners are exempt or not subject to withholding tax. This declaration is complemented with a disclosure list, on each coupon payment date, of each beneficial owner's identification, with address, tax payer number (if applicable), security identification, quantity held, and the reference to the legislation supporting either the tax exemption or the exemption of the withholding tax. The following corresponds to the wording and contents of the form of certificate for exemption from Portuguese withholding tax on income from debt securities, as contained in Regulatory Notice ("Aviso") n. 3714/2006 (second series), published in the official diary, second series, no 59, of 23 March 2006 issued by the Portuguese Secretary of State of Tax Affairs (currently "Secretário de Estado dos Assuntos Fiscais")

**STATEMENT FOR EXEMPTION FROM PORTUGUESE WITHHOLDING TAX ON INCOME ARISING FROM DEBT SECURITIES (PARAGRAPH 2 OF ARTICLE 17 OF THE SPECIAL TAX REGIME APPROVED BY THE DECREE-LAW 193/2005, OF 7 NOVEMBER 2005)**

The undersigned participant hereby declares that he holds or will hold debt securities in accordance with the special tax regime approved by the Decree-law 193/2005, of 7 November 2005 (the "Securities"), in the following securities account number (the "Account")

with (name and complete address of the international clearing system managing entity).

We hold or will hold the Securities in our capacity as beneficial owner or in our capacity as intermediary, holding Securities on behalf of one or more beneficial owners, including ourselves, if applicable, all of whom are eligible for exemption at source from Portuguese withholding tax according to Portuguese legislation.

**1. We are:**

Name:

Residence for tax purposes (full address):

Tax ID Number:

**2. We hereby undertake to provide the** (name of the international clearing system managing entity) with a list of beneficial owners at each relevant record date containing the name, residence for tax purposes, Tax Identification Number and nominal position of Portuguese debt Securities for each beneficial owner, including ourselves if relevant, on behalf of which we hold or will hold Portuguese debt securities in the Account.

**3. We hereby undertake to notify the** (name of the international clearing system managing entity) promptly in the event that any information contained in this certificate becomes untrue or incomplete.

**4. We acknowledge that certification is required in connection with Portuguese law and we irrevocably authorise** (name of the international clearing system managing entity) and its Depository to collect and forward this statement or a copy hereof, any attachments and any information relating to it, to the Portuguese authorities, including tax authorities.

**5. This statement is valid for a period of twelve months as from the date of signature.**

PLACE:

DATE:

Authorised Signatory

Name

Title/Position

Authorised Signatory

Name

Title/Position

**APPENDIX**  
**LIST OF BENEFICIAL OWNERS**

For:

Interest due \_\_\_/\_\_\_/

Security code (ISIN or Common Code): \_\_\_\_\_

Securities description: \_\_\_\_\_

Securities Clearance Account Number: \_\_\_\_\_

We certify that the above Securities are held on behalf of the following beneficial owners:

Name	Tax identification number	Residence for tax purposes	Quantity of securities	Legal basis of the exemption from withholding tax
				Code(*)      Legislation(**)

(\*) Please indicate the legal basis for the exemption from withholding tax to apply:

Code	Legal basis of the exemption
1	Decree-law 193/2005, of 7 November 2005
2	Art. 97 of CIRC ( <i>Corporate Income Tax Code</i> ) – Exemption from withholding tax
3	Art. 9 of CIRC – State, Autonomous Regions, local authorities, their associations governed by public law and social security federations and institutions
4	Art. 10 of CIRC – General Public Interest Companies, Charities and other non-governmental social entities
5	Art. 16 of EBF ( <i>Tax Incentives Statute</i> ) – Pension Funds and assimilated funds
6	Art. 21 of EBF – Retirement Savings Funds (FPR)
7	Art. 23 of EBF – Venture Capital Investment Funds
8	Art. 26 of EBF – Stock Savings Funds (FPA)
9	Other legislation

(\*\*) This column must be filled out when the code “9” is indicated in the previous column.

The two documents referred to in (i) or (ii) above shall be provided by the participants (i.e. the entity that operates in the international clearing system) to the direct register entity through the international clearing system managing entity and must take into account the total accounts under their management regarding each beneficial owner of Covered Bonds that are tax exempt or benefit from a waiver of Portuguese withholding tax.

International clearing system managing entity shall inform the direct register entity of the income paid to each participant for each security payment.

No Portuguese withholding tax exemption shall be granted under DL 193/2005 if the requirements set forth

therein are not complied with and, consequently, the general Portuguese tax provisions shall apply as described above. This will be the case whenever the Covered Bonds are not integrated in Central de Valores Mobiliários (which is managed by Interbolsa) or in any other centralised depositary system for securities recognised under the Portuguese Securities Code and complementary legislation.

If the conditions for the exemption to apply are met, but, due to inaccurate or insufficient information, tax was withheld, a special refund procedure is available under the special regime approved by Decree-law 93/2005. The refund claim is to be submitted to the direct or indirect register entity of the Covered Bonds within 90 days from the date the withholding took place. A special tax form for these purposes was approved by Order ("*Despacho*") n. 4980/2006 (2nd series), published in the Portuguese official gazette, second series, n. 45, of 3 March 2006 issued by the Portuguese Minister of Finance and Public Administration (currently "*Ministro das Finanças e da Administração Pública*") and may be available at [www.portaldasfinancas.gov.pt](http://www.portaldasfinancas.gov.pt).

The refund of withholding tax in other circumstances or after the above 90 day period is to be claimed from the Portuguese tax authorities under the general procedures and within the general deadlines.

### **EU Savings Directive**

Portugal has implemented the above Savings Directive on taxation of savings income into the Portuguese law through Decree-Law no 62/2005, of 11 March, 2005, as amended by Law no 39-A/2005, of 29 July and Law no 37/2010, of 2 September.

## **SUBSCRIPTION AND SALE AND SECONDARY MARKET ARRANGEMENTS**

The Dealers have, in the Programme Agreement dated 23 November 2006 (as amended), agreed with the Issuer a basis upon which they or any of them may from time to time agree to purchase Covered Bonds.

Any such agreement will extend to those matters stated under “*Form of the Covered Bonds and Clearing Systems*” and “*Terms and Conditions of the Covered Bonds*”. In the Programme Agreement, the Issuer has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and any future supplement of the Programme and the issue of Covered Bonds under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

The following restrictions may be amended or supplemented in the relevant Final Terms.

### **United States**

The Covered Bonds have not been and will not be registered under the Securities Act, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from the registration requirements of the Securities Act. The Covered Bonds are initially being offered and sold only outside the United States in reliance on Regulation S under the Securities Act.

The Covered Bonds are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver Covered Bonds (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Dealer or, in the case of an issue of Covered Bonds on a syndicated basis, the relevant lead manager, of all Covered Bonds of the Tranche of which such Covered Bonds are a part, within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Covered Bonds during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Covered Bonds within the United States or to, or for the account or benefit of, U.S. persons, or other notice setting out the restrictions on offers and sales of the Covered Bonds within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Until 40 days after the commencement of the offering of any Series of Covered Bonds, an offer or sale of such Covered Bonds within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Each issue of Index Linked Covered Bonds shall be subject to such additional U.S. selling restrictions as the Issuer and the relevant Dealer may agree as a term of the issue and purchase of such Covered Bonds, which additional selling restrictions shall be set out in the applicable Final Terms.

### **Japan**

The Covered Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act no. 25 of 1948, as amended; the “**FIEA**”) and each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer or sell any Covered Bonds, directly or indirectly, in Japan to, or for the benefit of, a resident in Japan, as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act no. 228 of 1949, as amended), or to others for re-offering or re-sale, directly or indirectly, in Japan to, or for the benefit of, a resident in Japan except pursuant to an exemption from the registration requirements of,

and otherwise in compliance with the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

### **United Kingdom**

Each Dealer represents, warrants and agrees that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA received by it in connection with the issue or sale of any Covered Bonds in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to such Covered Bonds in, from or otherwise involving the United Kingdom.

### **Italy**

The offering of the Covered Bonds has not been registered pursuant to Italian securities legislation and, accordingly, no Covered Bonds may be offered, sold or delivered, nor may copies of this Base Prospectus or of any other document relating to the Covered Bonds be distributed in the Republic of Italy, except:

- (i) to professional investors (“*operatori qualificati*”) as defined in Article 100 of Legislative Decree No. 58 of 24 February 1998 (the “**Financial Services Act**”) and the relevant implementing CONSOB (the Italian Securities Exchange Commission) regulations, as amended from time to time, and Article 2 of Directive 2003/71/EC of 4 November; or
- (ii) in other circumstances which are exempted from the rules on solicitation of investments pursuant to Article 100 of the Financial Services Act and Article 33, first paragraph, of CONSOB Regulation No. 11971 of 14 May 1999, as amended.

Any offer, sale or delivery of the Covered Bonds or distribution of copies of this Base Prospectus or any other document relating to the Covered Bonds in the Republic of Italy under (i) or (ii) above must be:

- (A) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation 16190 of 29 October 2007 (as amended from time to time) and Legislative Decree No. 385 of 1 September 1993, as amended (the “**Banking Act**”);
- (B) in compliance with Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may request information on the issue or the offer of securities in the Republic of Italy; and
- (C) in accordance with any other applicable laws and regulations or requirement imposed by CONSOB.

### **Public Offer Selling Restrictions under the Prospectus Directive**

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”), each Dealer represents, warrants and agrees, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “**Relevant Implementation Date**”) it has not made and will not make an offer of Covered Bonds which are subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Covered Bonds to the public in that Relevant Member State:

- (a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;



- (b) at any time to fewer than 100, or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Covered Bonds referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an “**offer of Covered Bonds to the public**” in relation to any Covered Bonds in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Covered Bonds to be offered so as to enable an investor to decide to purchase or subscribe for the Covered Bonds, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression “**Prospectus Directive**” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented by the Relevant Member State) and includes any relevant implementing measure in the Relevant Member State, and the expression “**2010 PD Amending Directive**” means Directive 2010/73/EU of the European Parliament and of the Council of 24 November 2010.

## Portugal

In relation to the Covered Bonds, each Dealer represents and agrees with the Issuer, and each further Dealer appointed under the Programme will be required to represent and agree, that, except as permitted by the Programme Agreement: (i) it has not directly or indirectly taken any action or offered, advertised, marketed, invited to subscribe, gathered investment intentions, sold or delivered and will not directly or indirectly take any action, offer, advertise, market, invite to subscribe, gather investment intentions, sell, re-sell, re-offer or deliver any Covered Bonds in circumstances which could qualify as a public offer (“*oferta pública*”) of securities pursuant to the Portuguese Securities Code and other applicable securities legislation and regulations, notably in circumstances which could qualify as a public offer addressed to individuals or entities resident in Portugal or having permanent establishment located in Portuguese territory, as the case may be; (ii) all offers, sales and distributions by it of the Covered Bonds have been and will only be made in Portugal in circumstances that, pursuant to the Portuguese Securities Code, qualify as a private placement of Covered Bonds only (“*oferta particular*”); (iii) it has not distributed, made available or caused to be distributed and will not distribute, make available or cause to be distributed the Base Prospectus or any other offering material relating to the Covered Bonds to the public in Portugal; (iv) if the Covered Bonds are subject to a private placement addressed exclusively to qualified investors (“*investidores qualificados*”), such private placement will be considered as a private placement of securities pursuant to the Portuguese Securities Code; (v) private placements addressed by companies open to public investment (“*sociedades abertas*”) or by companies issuing securities listed on a regulated market shall be notified to the CMVM for statistic purposes; (vi) it will comply with all applicable provisions of the Portuguese Securities Code and any applicable CMVM Regulations and all relevant Portuguese laws and regulations, in any such case that may be applicable to it in respect of any offer or sale of Covered Bonds by it in Portugal or to individuals or entities resident in Portugal or having permanent establishment located in Portuguese territory, as the case may be; notably, each Dealer has represented and agreed that it shall at all times comply with all applicable laws and regulations in force in Portugal, including (without limitation) the Portuguese Securities Code, the CMVM Regulations and the Prospectus Regulation, regarding the placement of any Covered Bonds in Portugal or to individuals or entities resident in Portugal or having permanent establishment located in Portuguese territory, as the case may be, including the publication of a Base Prospectus, when applicable, and that such placement shall only be authorised and performed to the extent that there is full compliance with such laws and regulations.

Without prejudice to the above, on 4 May 2012 CMVM launched a public consultation (consulta pública) on the preliminary draft of the decree-law that will transpose into the Portuguese legal framework the 2010 PD Amending Directive. Accordingly, rules in respect of public offerings of securities are likely to change in a near future, although it is at this stage uncertain the exact scope of those variations and when will the same enter into force.

On 13 July 2012 CMVM released a generic opinion on the application of the 2010 PD Amending Directive in Portugal as from 1 July 2012, considering the vertical direct effect of directives after its implementation deadline, in accordance with which certain effects under such Directive vis-à-vis CMVM shall be deemed to apply in the Portuguese jurisdiction as from such date while the implementation of that Directive in Portugal is pending.

The above public consultation documents and the generic opinion may be found at [www.cmvm.pt](http://www.cmvm.pt).

### **General**

These selling restrictions may be modified by the agreement of the Issuer and the Dealers following a change in a relevant securities law, regulation or directive.

No action has been taken in any jurisdiction that would permit a public offering of any of the Covered Bonds, or possession or distribution of the Base Prospectus or any other offering material or any Final Terms, in any country or jurisdiction where action for that purpose is required.

Each Dealer has agreed that it will (to the best of its knowledge and belief) comply with all applicable securities laws, and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Covered Bonds or possesses or distributes the Base Prospectus, any other offering material or any Final Terms and neither the Issuer nor any of the other Dealers shall have any responsibility therefore.

None of the Issuer and the Dealers represents that the Covered Bonds may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

### **Secondary Market Arrangements**

The Issuer may enter into agreements with Dealers or other persons in relation to a Tranche or Series of Covered Bonds whereby such Dealers may agree to provide liquidity in those Covered Bonds through bid and offer rate arrangements. The relevant Dealers or relevant persons in such agreements may agree to quote bid and offer prices for the relevant Covered Bonds at such rates and in such sizes as are specified in the relevant agreement and the provision of such quotes may be subject to other conditions as set out in the relevant agreement. Not all issues of Covered Bonds under the Programme will benefit from such agreements. A description of the main terms of any such agreements and the names and addresses of the relevant Dealers or other persons who are party to such will be disclosed in the applicable Final Terms for the relevant Covered Bonds.

## GENERAL INFORMATION

### Authorisation

The establishment of the Programme was duly authorised by a resolution of the Board of Directors of the Issuer dated 31 October 2006, and the Supplements dated 27 June 2007, 25 January 2008, 23 July 2009, 9 June 2010, 9 September 2010, 3 March 2011, 28 September 2011 and 27 July 2012 were also duly authorised by resolutions of the Board of Directors of the Issuer dated 22 June 2007, 5 December 2007, 28 January 2009, 2 June 2010 and 7 July 2010 and by resolutions of the Executive Committee of the Issuer dated, 28 September 2011 and 27 June 2012 respectively, in accordance with the provisions of the Covered Bonds Law.

### Listing

Application has been made to list the Covered Bonds on the regulated market Euronext Lisbon.

### Clearing Systems

The Covered Bonds have been accepted for clearance through either Interbolsa or Euroclear and/or Clearstream Luxembourg, as specified in the applicable Final Terms. The appropriate Common Code and ISIN for each Tranche of Covered Bonds allocated by either Interbolsa or Euroclear and Clearstream, Luxembourg (as applicable) will be specified in the relevant Final Terms. If the Covered Bonds are to clear through an additional or alternative clearing system the appropriate information will be specified in the relevant Final Terms.

### Conditions for Determining Price

The price and amount of Covered Bonds to be issued under the Programme will be determined by the Issuer and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions.

### Significant or Material Change

Save as disclosed in this Base Prospectus, there has been no significant change in the financial or trading position of the Issuer since 31 December 2011 and there has been no material adverse change in the financial position or prospects of the Issuer since 31 December 2011.

### Litigation

There have been no governmental, legal or arbitration proceedings (including any proceedings which are pending or threatened of which the Issuer is aware) during the 12 months preceding the date on which this Base Prospectus was most recently supplemented which may have or have had a significant effect on the Issuer's or CGD Group's financial position thereof.

### Accounts

The auditor of the Issuer is Deloitte & Associados – SROC, S.A. (“**Deloitte**”), (which is a member of the Portuguese Institute of Statutory Auditors (“*Ordem dos Revisores Oficiais de Contas*”), registered with the CMVM with registration number 231, with registered office at Edifício Atrium Saldanha, Praça Duque de Saldanha, 1 – 6<sup>th</sup>, 1050-094, Lisboa, who has audited the Issuer's accounts with the Adjusted Accounting Standards (“*Normas de Contabilidade Ajustadas – NCA*”) established by the Bank of Portugal for each of the two financial years ended on 31 December 2010 and 31 December 2011.

### Documents Available

Copies of the following documents will, when published, be available for inspection at and may be obtained free of charge from the registered offices of the Issuer and from the specified offices of the Common Representative and the Paying Agents for the time being:

- (a) the constitutional documents (including the by-laws together with an English translation thereof) of the Issuer;
- (b) the audited consolidated financial statements of the Issuer (together with an English translation thereof) in respect of the financial years ended 31 December 2010 and 31 December 2011;
- (c) the most recently published audited annual financial statements of the Issuer and the most recently published unaudited interim financial statements (if any) of the Issuer (together with an English translation thereof);
- (d) the Programme Agreement (as amended) and the Agency and Payments Procedures (as amended) dated 23 November 2006;
- (e) the Common Representative Appointment Agreement (as amended) dated 23 November 2006;
- (e) this Base Prospectus; and
- (f) any future prospectuses, offering circulars, information memoranda and supplements including Final Terms (save that Final Terms relating to Covered Bonds which are neither admitted to trading on a regulated market in the EEA nor offered in the EEA in circumstances where a prospectus is required to be published under the Prospectus Directive will only be available for inspection by a holder of such Covered Bonds and such holder must produce evidence satisfactory to the Issuer or the relevant Paying Agent as to its holding of Covered Bonds and identity) to this Base Prospectus and any other documents incorporated herein or therein by reference.

#### **Electronic copy of this Base Prospectus**

Electronic copies of this Base Prospectus (and any supplements thereto) are available from the official website of the Issuer ([www.cgd.pt](http://www.cgd.pt)) and the official website of the CMVM ([www.cmvm.pt](http://www.cmvm.pt)).

#### **Post-issuance information**

The Issuer does not intend to provide any post issuance information where it is not required to do so by law in relation to any issues of Covered Bonds.

## DEFINITIONS

In this Base Prospectus, the following defined terms have the meanings set out below:

“**Acceleration Notice**” means a notice served on the Issuer pursuant to Condition 9 (*Events of Default and Enforcement*).

“**Accounts Bank**” means Caixa Geral de Depósitos, S.A., with head office at Av. João XXI, no. 63, 1000-300 Lisboa.

“**Additional Security**” means any other encumbrances or guarantees the benefit of which is vested in the Issuer as security for the repayment of a Mortgage Credit

“**Agency and Payments Procedures**” means the set of agency and payments procedures (such agency and payments procedures as amended and/or supplemented and/or restated from time to time) dated 23 November 2006 and made and agreed by Caixa Geral de Depósitos, S.A. (acting in its capacity as Agent, which expression shall include any successor) and by any subsequent agent, paying agent, transfer agent, agent bank and/or registrar appointed by the Issuer.

“**Agent**” means Caixa Geral de Depósitos, S.A., with its head office at Av. João XXI, no. 63, 1000-300 Lisboa.

“**Arranger**” means Barclays Bank PLC and any other entity appointed as an arranger for the Programme and references in this Agreement to the Arranger shall be references to the relevant Arranger.

“**Auditor**” means Deloitte & Associados – SROC, S.A., member of the Portuguese Institute of Statutory Auditors (“*Ordem dos Revisores Oficiais de Contas*”), registered with the CMVM with registration number 231, with registered office at Edifício Atrium Saldanha, Praça Duque de Saldanha, 1 – 6<sup>th</sup>, 1050-094, Lisboa.

“**Bank of Portugal Regulations**” means the secondary legislation passed by the Bank of Portugal regulating certain aspects of the Covered Bonds Law, Regulation 5/2006, Regulation 6/2006, Instruction 13/2006, Regulation 7/2006 and Regulation 8/2006 and any applicable regulations which may be issued in the future.

“**Base Prospectus**” means this base prospectus dated 23 November 2006, supplemented on 27 June 2007, 25 January 2008, 23 July 2009, 5 January 2010, 9 June 2010, 9 September 2010, 3 March 2011, 28 September 2011 and 27 July 2012, prepared in connection with the Programme.

“**Bearer Covered Bonds**” means any Covered Bonds in bearer form issued (whether or not in global form).

“**Business Day**” means a day which is both: (i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and Lisbon and any Additional Business Centre(s) specified in the applicable Final Terms; and (ii) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than London and Lisbon and any Additional Business Centre(s)) and which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively or (2) in relation to any sum payable in euro, a day on which the TARGET System is open.

“**Capital Requirements Directive**” comprises Directive 2006/48/EC of the European Parliament and of the Council of 14 June 2006 relating to the taking up and pursuit of the business of credit institutions (recast), as amended, and Directive 2006/49/EC of the European Parliament and of the Council of 14 June

2006 on the capital adequacy of investment firms and credit institutions (recast), as amended.

“**Central de Valores Mobiliários**” means the Portuguese Centralised System of Registration of Securities.

“**CGD**” means Caixa Geral de Depósitos, S.A..

“**CGD Group**” means the Issuer and its consolidated subsidiaries.

“**Clearing Systems**” means Interbolsa, and/or Euroclear, and/or Clearsteram, Luxembourg and/or, in relation to any Series of Covered Bonds, any other clearing system depository as specified in the relevant Final Terms, and, each, a “**Clearing System**”.

“**Clearstream, Luxembourg**” means Clearstream Banking société anonyme, Luxembourg.

“**CMVM**” means the Comissão do Mercado de Valores Mobiliários, the *Portuguese Securities Commission*.

“**Co-Arranger**” means Caixa – Banco de Investimento, S.A. and, together with the Arranger, the “**Arrangers**”.

“**Coupons**” means the interest coupons related to the Definitive Bearer Covered Bonds and for the time being outstanding or, as the context may require, a specific number of such coupons.

“**Common Representative**” means Deutsche Trustee Company Limited, in its capacity as representative of the holders of the Covered Bonds pursuant to Article 14 of the Covered Bonds Law in accordance with the Terms and Conditions and the terms of the Common Representative Appointment Agreement, having its registered office at Winchester House, 1 Great Winchester Street, London EC2N 2DB, United Kingdom.

“**Common Representative Appointment Agreement**” means the agreement dated 23 November 2006 entered into between the Issuer and the Common Representative and which sets out the terms and conditions upon and subject to which the Common Representative has agreed to act as Common Representative, as amended from time to time.

“**Couponholders**” means the persons who for the time being are holders of the Coupons.

“**Cover Pool**” means the pool of assets maintained by the Issuer and allocated to the issue of Covered Bonds under the Programme, held to the benefit of the holders of Covered Bonds and the Other Preferred Creditors, and including the Mortgage Credits, the Hedging Contracts and the Other Assets, as specified in the Register.

“**Cover Pool Monitor**” means Deloitte & Associados – SROC, S.A., member of the Portuguese Institute of Statutory Auditors (“*Ordem dos Revisores Oficiais de Contas*”), registered with the CMVM with registration number 231, with registered office at Edifício Atrium Saldanha, Praça Duque de Saldanha, 1 – 6<sup>th</sup>, 1050-094, Lisboa.

“**Cover Pool Monitor Agreement**” means the agreement dated 23 November 2006 entered into between the Issuer and the Cover Pool Monitor as amended from time to time.

“**Covered Bond**” means any mortgage covered bond issued by the Issuer pursuant to the Covered Bonds Law in the form specified in the applicable Final Terms and “**Covered Bonds**” shall be construed accordingly.

“**Covered Bonds Law**” means the Portuguese legal framework applicable to the issuance of covered bonds, enacted by Decree-law no. 59/2006, of 20 March 2006, as amended.

“**CRA Regulation**” means Regulation (EC) no. 1060/2009, of the European Parliament and of the Council, of 16 September 2009, as amended from time to time;

“**Credit Institutions General Regime**” means Decree-law no. 298/92 of 31 December, as amended.

“**CSD**” means a central securities depository.

“**Day Count Fraction**” means, in respect of the calculation of an amount of interest for any Interest Period:

- (i) if “**Actual/365**” or “**Actual/Actual**” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (ii) if “**Actual/365 (Fixed)**” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;
- (iii) if “**Actual/365 (Sterling)**” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (iv) if “**Actual/360**” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;
- (v) if “**30/360**”, “**360/360**” or “**Bond Basis**” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (a) the last day of the Interest Period is the 31st day of a month but the first day of the Interest Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (b) the last day of the Interest Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month)); and
- (vi) if “**30E/360**” or “**Eurobond Basis**” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Interest Period unless, in the case of the final Interest Period, the Maturity Date is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month).

“**Dealers**” means Banco Bilbao Vizcaya Argentaria, S.A., Bankia S.A., Barclays Bank PLC, Bayerische Landesbank, BNP Paribas, Caixa–Banco de Investimento, S.A., Crédit Agricole CIB, Credit Suisse Securities (Europe) Limited, Citigroup Global Markets Limited, Commerzbank Aktiengesellschaft, Daiwa Capital Markets Europe Limited, Deutsche Bank Aktiengesellschaft, DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main, HSBC France, Natixis, J.P. Morgan Securities plc, Merrill Lynch International, Morgan Stanley & Co International plc, Nomura International plc, Société Générale, The Royal Bank of Scotland plc, UBS Limited and UniCredit Bank AG, and any other Dealer(s) appointed from time to time by the Issuer in accordance with the Programme Agreement.

“**Definitive Covered Bond**” means any definitive Covered Bond, in bearer or registered form, issued only in exchange for a Global Covered Bond in bearer form held through Euroclear and/or Clearstream, Luxembourg.

“**Definitive Bearer Covered Bond**” means any definitive Covered Bond in bearer form issued only in exchange for a Global Covered Bond in bearer form held through Euroclear and/or Clearstream, Luxembourg.

“**Definitive Registered Covered Bond**” means any definitive Covered Bond in registered form issued

whether or not in exchange for a Global Covered Bond in registered form held through Euroclear and/or Clearstream, Luxembourg.

“**Determination Period**” means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date).

“**Distribution Compliance Period**” means, in respect of Covered Bonds held through Euroclear, Clearstream, Luxembourg, the period that ends 40 days after the completion of the distribution of each Tranche of Covered Bonds, as certified by the relevant Dealer (in the case of a non-syndicated issue) or the relevant Lead Manager (in the case of a syndicated issue).

“**ECB**” means the European Central Bank.

“**EEA**” means the European Economic Area.

“**EU**” means the European Union.

“**Euro**”, “**€**” or “**euro**” means the lawful currency of member states of the European Union that adopt the single currency introduced in accordance with the Treaty.

“**Euroclear**” means Euroclear Bank S.A./N.V..

“**Euronext Lisbon**” means the regulated market of Euronext Lisbon, the official quotation market (“*Mercado de Cotações Oficiais*”) in Portugal.

“**Eurosystem**” means the central banking system for the Euro.

“**Exchange Date**” means the date which is 40 days after a Temporary Bearer Global Covered Bond is issued.

“**Final Terms**” means, in relation to each Tranche, the applicable final terms attached to, or endorsed on, such Covered Bonds.

“**Fitch Ratings**” means Fitch Ratings Limited.

“**Fixed Interest Period**” means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

“**Global Covered Bond**” means any global covered bond (whether temporary or permanent, if applicable).

“**GBP**”, “**£**” or “**pounds sterling**” means pounds sterling, the lawful currency of the United Kingdom.

“**Group**” means the Issuer and its subsidiaries.

“**Hedge Counterparties**” means the party or parties that, from time to time, will enter into Hedging Contracts with the Issuer in accordance with the Covered Bonds Law.

“**Hedging Contracts**” means the hedging contracts entered into by the Issuer in accordance with the Covered Bonds Law for the purpose of hedging interest rate, exchange or liquidity risks in relation to the Cover Pool.

“**Insolvency Event**” means the winding-up and dissolution of the Issuer under any applicable laws and regulations (including under Decree-law no. 199/2006 of 25 October 2006, Decree-law no. 298/92 of 31 December 1992 and/or (if applicable) under the Code for the Insolvency and Recovery of Companies introduced by Decree-law no. 53/2004 of 18 March 2004). Investors should see the *Insolvency of the Issuer* section.



“**Instruction 13/2006**” means the regulatory instruction (“*Instrução*”) no. 13/2006 issued by the Bank of Portugal relating to certain information duties applicable in relation to the issue of mortgage covered bonds in accordance with the Covered Bonds Law.

“**Interbolsa**” means Interbolsa – Sociedade Gestora de Sistemas de Liquidação e de Sistemas Centralizados de Valores Mobiliários, S.A. as operator of the Central de Valores Mobiliários.

“**Interbolsa Participant**” means any authorised financial intermediary entitled to hold control accounts with Interbolsa on behalf of its customers and includes any depository banks appointed by Euroclear and Clearstream, Luxembourg for the purpose of holding accounts on behalf of Euroclear and Clearstream, Luxembourg.

“**Interest Amount**” means, as applicable, the amount of interest payable on the Floating Rate Covered Bonds or Index Linked Interest Covered Bonds in respect of each Specified Denomination, calculated by the Calculation Agent pursuant to Condition 4 (*Interest*).

“**ISDA**” means the International Swaps and Derivatives Association Inc.

“**Issue Date**” means the date so specified in the applicable Final Terms being, in respect of any Covered Bond, the date of issue and purchase of such Covered Bond pursuant to and in accordance with the Programme Agreement or any other agreement between the Issuer and the relevant Dealer(s).

“**Issuer**” means Caixa Geral de Depósitos, S.A..

“**Loan to Value**” means, in respect of a Mortgage Credit, the ratio of the aggregate value of such Mortgage Credit to the Property Value of the Property securing such Mortgage Credit.

“**Maturity**” means the final legal maturity of any outstanding Covered Bonds, Mortgage Credits, Hedging Contracts or Other Assets, as applicable.

“**Moody's**” means Moody's Investors Service Ltd.

“**Mortgage**” means, in respect of any Mortgage Credit, the charge by way of voluntary mortgage over the relevant Property the benefit of which is vested in the Issuer as security for the repayment of that Mortgage Credit.

“**Mortgage Credit**” means the pecuniary credit receivables secured by a Mortgage and/or any Additional Security which is comprised in the Cover Pool and which complies with the following eligibility criteria established in the Covered Bonds Law:

- (a) it is a pecuniary receivable not yet matured, which is neither subject to conditions nor encumbered, judicially seized or apprehended and which is secured by first ranking mortgages over residential or commercial real estate located in an EU member state;
- (b) notwithstanding (a) above, it is a pecuniary receivable secured by a junior mortgage but where all Mortgage Credits ranking senior thereto are held by the Issuer and also allocated to the Cover Pool;
- (c) it is a receivable secured by (i) a personal guarantee granted by a credit institution, or (ii) an appropriate insurance policy, in any case together with a mortgage counter guarantee evidencing (a) or (b) above.

“**NGN**” means any bearer Covered Bond to be issued in new global note form.

“**Non-Performing Mortgage Credits**” means, with respect to a Mortgage Credit, that such Mortgage Credit:

- (a) is in the course of being foreclosed or otherwise enforced; or

- (b) has one or more payments of principal or interest payable on the related credit in arrears and those payments are referable to a period of 90 days or more.

“**Other Assets**” means all assets other than Mortgage Credits and Hedging Contracts which comply with the eligibility criteria established in the Covered Bonds Law and which are included in the Cover Pool as specified in the Register, including:

- (a) deposits with the Bank of Portugal in cash, or securities eligible for credit transactions in the Eurosystem;
- (b) current or term account deposits with credit institutions (which are not in a control or group relationship with the Issuer) having a rating at least equal to "A-" or equivalent, unless a higher rating has been agreed with any Rating Agency, in which case such higher rating shall be met; and
- (c) other assets complying simultaneously with the requisites of low risk and high liquidity as defined by the Bank of Portugal.

The Issuer undertakes that on any Business Day the Other Assets include assets specified under (a) above corresponding to “AAA” or equivalent rated sovereign bonds from a EU Member-State, the United States, Japan and/or Canada in an amount (as calculated by the Issuer on such Business Day) at least equal to the interest payments due by the Issuer under the outstanding Covered Bonds during the next 90 days.

For the avoidance of doubt, the Other Assets do not include any cash collateral that may be transferred under the Hedging Contracts.

“**Other Preferred Creditors**” means the Common Representative (or any successor thereof) and Hedge Counterparties.

“**Overcollateralisation Percentage**” means 105.26 per cent. or such other percentage as may be selected by the Issuer from time to time and notified to the Cover Pool Monitor, provided that: (i) the Overcollateralisation Percentage shall not, for so long as there are Covered Bonds outstanding, be reduced by the Issuer below 105.26 per cent.; and (ii) without prejudice to (i) above, the Issuer shall not at any time reduce Overcollateralisation Percentage which applies for the purposes of Condition 15 if this could result in any credit rating then assigned to the Covered Bonds by any Rating Agency being reduced, removed, suspended or placed on credit watch.

“**Paying Agents**” means the paying agents named in the Agency and Payments Procedures together with any successor or additional paying agents appointed from time to time in connection with the Covered Bonds under the Agency and Payments Procedures.

“**Permanent Bearer Global Covered Bond**” means any Covered Bond issued in the form of a permanent bearer global covered bond.

“**Portuguese Companies Code**” means the commercial companies code approved by Decree-law no. 262/86 dated 2 September 1986, as amended from time to time.

“**Portuguese Securities Code**” means Decree-Law 486/99, of 13 November 1999 (as amended from time to time).

“**Principal Amount Outstanding**” means in respect of a Covered Bond the principal amount of that Covered Bond on the relevant Issue Date thereof less principal amounts received by the relevant holder of Covered Bonds in respect thereof.

“**Programme**” means the €15,000,000,000 covered bonds programme established for the issuance of Covered Bonds by the Issuer as described in this Base Prospectus.

“**Programme Agreement**” means the agreement entered into between the Issuer and the Dealers on 23 November 2006 (as amended).

“**Programme Documents**” means the Base Prospectus, the Programme Agreement, the Agency and Payments Procedures, the Common Representative Appointment Agreement, the Cover Pool Monitor Agreement and any other agreement or document entered into from time to time by the Issuer pursuant thereto and in relation to the Programme.

“**Programme Resolution**” means any Resolution directing the Common Representative to accelerate the Covered Bonds pursuant to Condition 9 (*Events of Default and Enforcement*) or directing the Common Representative to take any enforcement action and which shall only be capable of being passed at a single meeting of the holders of Covered Bonds of all Series then outstanding.

“**Property**” means, in relation to any Mortgage Credit, the property upon which the repayment of such Mortgage Credit is secured by the corresponding Mortgage and “**Properties**” means all of them.

“**Property Valuation**” means, in relation to any Property:

- (a) the amount determined as the commercial value or the market value (as applicable) of such Property in accordance with the most recent independent valuation of such Property, at the time or after the relevant Mortgage Credit was originated, in accordance with Regulation 5/2006; and
- (b) the amount determined by resorting to the use of adequate and recognized indexes or statistical methods, whenever an independent valuation of the Property is not required pursuant to the Covered Bonds Law and Regulation 5/2006.

“**Property Value**” means, in relation to a Property securing a Mortgage Credit, the Property Valuation of such Property, as specified under “Property Valuation”, paragraph a).

“**Prospectus Directive**” means Directive 2003/71/EC (and amendments thereto, including Directive 2010/73/EU, to the extent implemented in the relevant Member State), and includes any relevant implementing measure in the relevant Member State.

“**Prospectus Regulation**” means Commission Regulation (EC) No. 809/2004, as amended.

“**Rating**” means the then current rating of rated Covered Bonds given by the relevant Rating Agency and “**Ratings**” means all of such Ratings;

“**Rating Agencies**” means Moody's, S&P and Fitch and any other rating agency which has applied to be registered with the European Securities and Markets Authority under Regulation (EC) no. 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies, as amended by Regulation (EU) no. 513/2011 of the European Parliament and of the Council of 11 May 2011, as applicable.

“**Receipts**” means the principal receipts related to the Definitive Bearer Covered Bonds.

“**Receiptholders**” means the persons who for the time being are holders of the Receipts.

“**Register**” means the register of the Cover Pool and associated collateral maintained by the Issuer in accordance with the Covered Bonds Law and the Bank of Portugal Regulations.

“**Registrar**” means a registrar appointed by the Issuer in respect of one or more Series of Covered Bonds.

“**Registered Covered Bond**” means any definitive covered bond in registered form.

“**Regulation 5/2006**” means the regulatory notice (“*Aviso*”) no. 5/2006 issued by the Bank of Portugal and published on 11 October 2006, relating to the valuation of real estate assets serving as security for mortgage credits comprised in cover pools allocated to the issue of mortgage covered bonds in accordance with the Covered Bonds Law.

“**Regulation 6/2006**” means the regulatory notice (“*Aviso*”) no. 6/2006 issued by the Bank of Portugal

and published on 11 October 2006, relating to the prudential limits applicable in relation to the issue of mortgage covered bonds in accordance with the Covered Bonds Law.

“**Regulation 7/2006**” means the regulatory notice (“*Aviso*”) no. 7/2006 issued by the Bank of Portugal and published on 11 October 2006, relating to the weighting coefficient applicable to the ownership of covered bonds issued in accordance with the Covered Bonds Law.

“**Regulation 8/2006**” means the regulatory notice (“*Aviso*”) no. 8/2006 issued by the Bank of Portugal and published on 11 October 2006, relating to the insolvency, winding-up or dissolution of a credit institution which has issued covered bonds issued in accordance with the Covered Bonds Law.

“**Regulation S**” means Regulation S under the Securities Act.

“**Relevant Date**” means the date on which a payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Agent or the Registrar, as the case may be, on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the holders of Covered Bonds in accordance with Condition 11 (*Notices*).

“**Reserved Matter**” means any proposal: (i) to change any date fixed for payment of principal or interest in respect of the Covered Bonds of all or of a given Series, (ii) to reduce the amount of principal or interest due on any date in respect of the Covered Bonds of all or of a given Series or to alter the method of calculating the amount of any payment in respect of the Covered Bonds of all or of a given Series on redemption or maturity; (iii) to effect the exchange, conversion or substitution of the Covered Bonds of all or of a given Series, or the conversion of such Covered Bonds into, shares, bonds or other obligations or securities of the Issuer or any other person or body corporate formed or to be formed; (iv) to change the currency in which amounts due in respect of the Covered Bonds of all or of a given Series are payable; (v) to alter the priority of payment of interest or principal in respect of the Covered Bonds of all or of a given Series; or (vi) to amend this definition.

“**Resolution**” means a resolution adopted at a duly convened meeting of holders of Covered Bonds and approved in accordance with the applicable provisions.

“**Securities Act**” means the United States Securities Act of 1933, as amended.

“**Series**” means a Tranche of Covered Bonds together with any further Tranche or Tranches of Covered Bonds which are (i) expressed to be consolidated and form a single series and (ii) identical in all respects (including as to listing) except for their respective Issue Dates, Interest Commencement Dates, interest rates and/or Issue Prices.

“**Stabilising Manager**” means the Dealer or Dealers (if any) named as the stabilising manager(s) for a particular Tranche of Covered Bonds.

“**Substitute Credit Institution**” means the credit institution appointed in case of an Insolvency Event to manage the Cover Pool allocated to the outstanding Covered Bonds and to ensure the payments of the amounts due to the holders of such Covered Bonds.

“**Stock Exchange**” means Euronext Lisbon or any other stock exchange where Covered Bonds may be listed as per the relevant Final Terms and references in this Agreement to the **relevant Stock Exchange** shall, in relation to any Covered Bonds, be references to the stock exchange or stock exchanges on which such Covered Bonds are from time to time, or are intended to be, listed.

“**S&P**” means Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies, Inc.

“**sub-unit**” means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, one cent.

“**Talon**” and “**Talons**” means the talons for further Receipts and further Coupons attached to the Definitive Bearer Covered Bonds on issue.

“**TARGET Day**” means any day on which the TARGET System is open.

“**TARGET System**” means the Trans-European Automated Real-time Gross Settlement Express Transfer Payment System which utilises a single shared platform and which was launched on 19 November 2007 (TARGET 2).

“**Tax**” shall be construed so as to include any present or future tax, levy, impost, duty, charge, fee, deduction or withholding of any nature whatsoever (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same) imposed or levied by or on behalf of any Tax Authority and “**Taxes**”, “**taxation**”, “**taxable and comparable expressions** shall be construed accordingly.

“**Tax Authority**” means any government, state, municipal, local, federal or other fiscal, revenue, customs or excise authority, body or official anywhere in the world exercising a fiscal, revenue, customs or excise function including the Irish Revenue Commissioners and H.M. Revenue and Customs.

“**Tax Deduction**” means any deduction or withholding on account of Tax.

“**Temporary Bearer Global Covered Bond**” means any Covered Bond issued in the form of a temporary bearer global covered bond.

“**Terms and Conditions**” means in relation to the Covered Bonds, the terms and conditions to be endorsed on the Covered Bonds and any reference to a particular numbered Condition shall be construed in relation to the Covered Bonds accordingly.

“**Tranche**” means Covered Bonds which are identical in all respects (including as to listing).

“**Treaty**” means the treaty establishing the European Communities, as amended by the Treaty on European Union.

“**U.S.\$**”, “**USD**” or “**U.S. dollars**” means United States dollars, the lawful currency of the United States of America.

“**UCITS Directive**” means Council Directive No. 2009/65/EC of the European Parliament and the Council of 13 July 2009, relating to undertakings for collective investment in transferable securities, which revoked as of 1 July 2011 Council Directive No 85/611/EEC of 20 December 1985 (as amended by Council Directive 2001/107/EC of 21 January 2002 and 2001/108/EC of 21 January 2002).

“**Value**” means:

- (a) in relation to a Mortgage Credit, (i) for the purpose of the Overcollateralisation Percentage, an amount equal to the book value of such Mortgage Credit entered on the Register, together with any matured and accrued interest; and (ii) for the purpose of Loan to Value calculation, an amount equal to the book value of such Mortgage Credit entered on the Register;
- (b) in relation to any Other Assets:
  - (i) the aggregate amount of any deposits together with any matured and accrued interest, as entered on the Register;
  - (ii) the value resulting from the rules regarding valuation of margins defined by the Eurosystem for securities eligible for Eurosystem credit transactions or, if lower, the nominal value of such securities, including matured and accrued interests.

## REGISTERED OFFICE OF THE ISSUER

### **Caixa Geral de Depósitos, S.A.**

Av. João XXI  
No. 63  
1000-300 Lisboa  
Portugal

### **ARRANGER**

### **Barclays Bank PLC**

5 The North Colonnade  
Canary Wharf  
London E14 4BB  
United Kingdom

### **Co-ARRANGER**

### **Caixa – Banco de Investimento, S.A.**

Rua Barata Salgueiro, 33  
1269-057 Lisboa  
Portugal

### **COVER POOL MONITOR**

### **Deloitte & Associados, SROC S.A.**

Sociedade de Revisores Oficiais de Contas  
Praça Duque de Saldanha  
1-6 Piso  
1050-094 Lisboa, Portugal

### **DEALERS**

### **Banco Bilbao Vizcaya Argentaria, S.A.**

Plaza de San Nicolás, 4,  
Bilbao, Spain

### **Bayerische Landesbank**

Brienner Strasse 18  
D-80333 Munich, Germany

### **Citigroup Global Markets Limited**

Citigroup Centre, Canada Square  
Canary Wharf  
London E14 5LB, United  
Kingdom

### **Credit Suisse Securities (Europe) Limited**

One Cabot Square  
London E14 4QJ, United  
Kingdom

### **DZ BANK**

**Deutsche Zentral-  
Genossenschaftsbank,  
Frankfurt am Main**  
Platz der Republik, 60265  
Frankfurt am Main, Germany

### **Bankia S.A.**

Calle del Pintor Sorolla, no. 8,  
Valencia, Spain

### **BNP PARIBAS**

10 Harewood Avenue  
London NW1 6AA, United Kingdom

### **Commerzbank Aktiengesellschaft** Kaiserstrasse 16 (Kaiserplatz)

60311 Frankfurt am Main, Germany

### **Daiwa Capital Markets Europe Limited**

5 King William Street  
London EC4N 7AX  
United Kingdom

### **HSBC France**

103, avenue des Champs-Élysées  
75008 Paris, France

### **Barclays Bank PLC**

5 The North Colonnade  
Canary Wharf  
London E14 4BB, United Kingdom

### **Caixa – Banco de Investimento, S.A.**

Rua Barata Salgueiro, 33  
1269-057 Lisboa, Portugal

### **Crédit Agricole Corporate and Investment Bank**

9 quai du  
Président Paul Doumer  
92920 Paris La Défense Cedex,  
France

### **Deutsche Bank**

**Aktiengesellschaft**  
Grosse Gallusstrasse 10-14,  
60272 Frankfurt am Main  
Germany

### **J.P. Morgan Securities plc**

25 Bank Street,  
London, E14 5JP United  
Kingdom

**Merrill Lynch International**  
2 King Edward Street  
London EC1A 1HQ, United  
Kingdom

**Morgan Stanley & Co.  
International plc**  
25 Cabot Square  
Canary Wharf  
London E14 4QA, United Kingdom

**Natixis**  
30 avenue Pierre Mendès France  
75013 Paris, France

**Nomura International plc**  
1 Angel Lane  
London EC4R, 3AB United  
Kingdom

**Société Générale**  
29 Boulevard Haussmann  
75009 Paris, France

**The Royal Bank of Scotland plc**  
135 Bishopsgate  
London EC2M 3UR, United  
Kingdom

**UBS Limited**  
1 Finsbury Avenue,  
London EC2M 2PP, United  
Kingdom

**UniCredit Bank AG**  
Arabellastrasse 12  
81925 Munich, Germany

#### **COMMON REPRESENTATIVE**

**Deutsche Trustee Company Limited**  
Winchester House  
1 Great Winchester Street,  
London EC2N 2DB, United Kingdom

#### **AGENT**

**Caixa Geral de Depósitos, S.A.**  
Av. João XXI  
No. 63  
1000-300 Lisboa  
Portugal

#### **AUDITOR**

*To Caixa Geral de Depósitos, S.A.*

**Deloitte & Associados, SROC S.A.**  
Sociedade de Revisores Oficiais de Contas  
Praça Duque de Saldanha  
1-6 Piso  
1050-094 Lisboa  
Portugal

#### **LEGAL ADVISERS TO THE ISSUER**

*as to Portuguese law*

**Uría Menéndez – Proença de Carvalho**  
Rua Duque de Palmela, 23  
1250-097 Lisboa  
Portugal

#### **LEGAL ADVISERS TO THE ARRANGER AND THE DEALERS**

*as to Portuguese law*

**Vieira de Almeida & Associados**  
Sociedade de Advogados, R.L.  
Avenida Duarte Pacheco, 26  
1070-110 Lisbon  
Portugal