



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**” or “**CGD**”), incorporated under Portuguese law, with a fully paid-up share capital of €3,844,143,735 represented by 768,828,747 ordinary shares with a nominal value of €5 each, with head-office at Av. João XXI, no. 63, 1000-300 Lisbon and registered under its sole registration and taxpayer number 500 960 046 with the Commercial Registry Office of Lisbon, is an authorised credit institution for the purposes of Decree-law no. 59/2006, of 20 March 2006 (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 (the “**Base Prospectus**”), 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 will be issued in registered (*nominativas*) form and will be represented in book-entry form (*forma escritural*). 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 herein 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 135-C of Decree-law no. 486/99 of 13 November 1999 (as amended, the “**Portuguese Securities Code**”) which implemented article 5.4. of Directive 2003/71/EC, as amended (the “**Prospectus Directive**”), of article 26 of the Commission Regulation (EC) No. 809/2004, as amended (the “**Prospectus Regulation**”) and pursuant to article 143(1) of the Portuguese Securities Code. 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 to approve this document as a Base Prospectus for the purpose of admitting Covered Bonds to trading on regulated markets 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, and Directive 2014/65/EU of the European Parliament and the Council, of 15 May

2014, as amended, and further application will be made to Euronext Lisbon – Sociedade Gestora de Mercados Regulamentados, S.A. (“**Euronext**”) for the admission of the Covered Bonds issued under the Programme to trading on the regulated market Euronext Lisbon (“**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. Under this Programme, 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, as amended (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.

Barclays

BayernLB

BNP PARIBAS

BofA Merrill Lynch

Caixa – Banco de Investimento, S.A.

Citigroup

Commerzbank

Crédit Agricole CIB

Credit Suisse

Deutsche Bank

DZ BANK AG

HSBC

J.P. Morgan

Mediobanca – Banca di Credito Finanziario S.p.A

Morgan Stanley

Natixis

Nomura

Société Générale Corporate and Investment Banking

The Royal Bank of Scotland

UBS Investment Bank

UniCredit Bank

This Base Prospectus is dated 18 January 2018.

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PROHIBITION OF SALES TO EEA RETAIL INVESTORS

If the Final Terms in respect of any Covered Bonds includes a legend entitled “Prohibition of Sales to EEA Retail Investors”, the Covered Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“**EEA**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (“**MiFID II**”) (ii) a customer within the meaning of Directive 2002/92/EC, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II or (iii) not a qualified investor as defined in the Prospectus Directive. Consequently, no key information document required by Regulation (EU) No 1286/2014 (the “**PRIPs Regulation**”) for offering or selling the Covered Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Covered Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

MIFID II PRODUCT GOVERNANCE

A determination will be made at the time of issue about whether, for the purpose of the product governance rules under EU Delegated Directive 2017/593 (the “**MiFID Product Governance Rules**”), any Dealer subscribing for a Tranche of Covered Bonds is a manufacturer in respect of that Tranche, but otherwise neither the Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MIFID Product Governance Rules. The Final Terms in respect of any Covered Bonds (or pricing supplement, as the case may be) will include a legend entitled “MiFID II Product Governance” which will outline the product approval process of any manufacturer, the target market assessment in respect of the Covered Bonds and which channels for distribution of the Covered Bonds are appropriate. Any person subsequently offering, selling or recommending the Covered Bonds (a “distributor”) should take into consideration the target market assessment; however, a distributor subject to Directive 2014/65/EU (as amended, “MiFID II”) is responsible for undertaking its own target market assessment in respect of the Covered Bonds (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

BENCHMARK REGULATION

Amounts payable under the Covered Bonds may be calculated by reference to the Euro Interbank Offered Rate (“**EURIBOR**”) or the London Interbank Offered Rate (“**LIBOR**”) which are provided by the European Money Markets Institute (“**EMMI**”) and the ICE Benchmark Administration Limited (“**ICE**”) respectively. As at the date of this Prospectus, EMMI and ICE do not appear on the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority (“**ESMA**”) pursuant to Article 36 of the Benchmark Regulation (Regulation (EU) 2016/1011) (the “**BMR**”).

As far as the Issuer is aware, the transitional provisions in Article 51, including its pars. (1) and (3), of the BMR apply such that EMMI and ICE are not currently required to obtain authorisation or registration.

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 Prospectus or incorporated by reference herein and reach their own views prior to making any investment decision.

Capitalised terms used but not otherwise defined in this risk factor section shall have the meanings given to them under "Terms and Conditions of the Covered Bonds".

Risk Factors Relating to CGD's Business

Covered Bonds are obligations of the Issuer only

The Covered Bonds will constitute unsubordinated obligations of the Issuer secured by a special creditor privilege ("*privilégio creditório especial*") created under the Covered Bonds Law over the Cover Pool (as defined in Terms and Conditions of the Covered Bonds) maintained by the Issuer. Although primarily based and secured by the credits comprised in the Cover Pool, an investment in the Covered Bonds also 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.

State ownership and State Aid may impact the business and performance of CGD

2017 Recapitalisation Plan

The Issuer posted losses after 2012, mostly due to the subdued growth of the Portuguese economy which affected credit concession by banks, but also due to the impact of provisions and impairments related to non-performing loans ("**NPLs**").

In order to be able to continue its activities and also to comply with increasing capital requirements, the Portuguese State, as the Issuer's sole shareholder, and the European Commission's Directorate General for

Competition ("**DG Comp**") approved a recapitalisation plan (the "**2017 Recapitalisation Plan**"). For further information see – *Description of the Issuer – Recapitalisation Plan*.

After completion of the 2017 Recapitalisation Plan, any further capital injections by the Portuguese State may not be possible or may be subject to State Aid rules under European Union regulations. This may result in obligations, restrictions and limitations which may adversely impact the Issuer's activity in comparison with other credit institutions not subject to State Aid procedures including, but not limited to, the application of non-viability loss absorption measures or a "burden sharing" requirement amongst holders of hybrid capital securities, such as the AT1 instruments. Any such loss absorption or burden-sharing could have an adverse impact on the value of the Covered Bonds. Furthermore, the implementation of the 2017 Recapitalisation Plan may also have an adverse effect on the Issuer's activity, business, results and prospects.

The Issuer's Strategic Plan includes targets that may not be achieved

The 2017 Recapitalisation Plan includes a Strategic Plan to be implemented between 2017 and 2020. This was one of the conditions imposed by DG Comp to avoid CGD's recapitalisation being considered State Aid. The Strategic Plan builds upon four strategic pillars and includes a set of targets. These targets relate to each of the four pillars and are described in more detail in the section "*Description of the Issuer – Strategic Plan*". The Strategic Plan's feasibility, including the targets proposed by CGD, was validated by DG Comp. CGD will work to achieve the proposed targets by implementing a set of initiatives described under each pillar. The targets are based on certain assumptions with respect to revenues and costs associated with those initiatives. However, there are no assurances that these assumptions are correct or that the Issuer will be able to achieve the proposed targets within the proposed timeframe, including for reasons beyond the Issuer's control, which would potentially result in non-compliance by CGD of the Strategic Plan. The Issuer will ensure that the full and correct implementation of the Strategic Plan is continually monitored by an independent auditing institution and, CGD will provide to DG Comp, on a quarterly basis, a report covering the financial and operational drivers of the Strategic Plan, as well as an overview of CGD's performance compared with the targets.

If any of the targets are not met, the Issuer will consequently seek to take additional measures (including, but not limited to, pricing adjustments, further cost cutting or divestment of additional foreign assets) with a view to ensuring that those targets are in fact achieved, which could have an adverse effect on the Issuer's activity, business, results and prospects.

These targets have been established as part of the agreement reached by the Portuguese State with DG Comp in respect of CGD. They have not been set for the purpose of the offering of any Covered Bonds and are not, and should not be regarded by potential investors as, a forecast of future performance by CGD.

The economic activity in Portugal may impact the business and performance of CGD

The business activities of CGD are dependent on the level of banking, finance and financial services required by its customers. In particular, levels of borrowing are heavily dependent on customer confidence, employment trends, the state of the economy and market interest rates.

Given that CGD 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. During 2016, the Portuguese economy continued to be affected by a reduction of the net borrowing requirements of diverse sectors of the economy, as well as adjustments to banks' balance sheets based on higher solvency ratios and a reduction of loans-to-deposits ratios. Some additional information regarding the Portuguese economy is therefore included below.

According to the Quarterly National Accounts published by the Portuguese National Statistics Office ("INE") on 31 August 2017, in the second quarter of 2017, the gross domestic product ("GDP") recorded a year-on-year growth rate of 2.9 per cent. in real terms (2.8 per cent. in the previous quarter). Net external demand maintained a slightly positive contribution to the year-on-year GDP growth rate, with a deceleration in the volume of Exports of Goods and Services of the same magnitude as that observed in Imports of Goods and Services. The positive contribution of domestic demand remained significantly higher than in the previous quarter, driven by the acceleration of investment. Public consumption registered a year-on-year change rate of -0.9 per cent. (-0.4 per cent. in the first quarter of 2017). Public consumption behaviour since the second half of 2016 was influenced by the reduction in the number of weekly hours worked in the Public Sector, from 40 to 35 hours, with the consequent rise in the deflator component of employee compensation and a negative effect in volume.

Private consumption registered a year-on-year improvement of 2.1 per cent. in the second quarter of 2017 in real terms, which compares with the growth rate of 2.3 per cent. registered in the first quarter of 2017.

Investment, in volume, increased by 9.3 per cent. in the second quarter of 2017 (7.7 per cent. in the previous quarter), compared with the same period last year.

The External Balance of Goods and Services in nominal terms increased from 0.8 per cent. of GDP in the first quarter of 2017 (0.9 per cent. of GDP in the second quarter of 2016), to 1.1 per cent. of GDP in the second quarter of 2017.

In August 2017, the consumer confidence and economic sentiment indicators increased in the Euro Area. In Portugal, the economic activity indicator, available until July 2017, stabilised, while the economic climate indicator for August decreased.

In July 2017, the unemployment rate was 8.9 per cent., the lowest recorded value since November 2008.

Several challenges persist as fiscal consolidation is still unfolding, and private and public debt levels remain high and it is still unclear whether the Portuguese economy will begin to recover in a sustainable way, particularly through an increase in investment. In the event of negative developments in the financial markets, the Issuer's ability to access the capital markets and obtain the necessary funding to support its business activities on acceptable terms may be adversely affected. A lack of ability to refinance assets on the balance sheet or maintain appropriate levels of capital to protect against deteriorations in their value could force the Issuer to liquidate assets at depressed prices or on unfavourable terms.

The current economic environment is still a source of challenge for CGD, and may adversely affect its business, financial condition and results of operations. The adverse macroeconomic conditions in Portugal have significantly affected, and are expected to continue to adversely affect, the behaviour and the financial situation of CGD's clients, and consequently, the supply and demand of the products and services that CGD has to offer. In particular, limited growth in customer loans is expected in the coming years, which will make

it difficult for CGD to generate enough interest income to maintain its net interest margin. Additionally, an environment of extremely low or even negative interest rates is expected to continue, which limits the Issuer's ability to increase net interest margin and profitability, given that the majority of the Issuer's credit portfolio is composed of variable interest rate loans.

Furthermore, the maintenance of high unemployment rates, the reduction in the profitability of enterprises and the increase in company and personal insolvencies have had, and are expected to continue to have, a negative influence on the ability of CGD's clients to pay back loans, and, consequently, could cause an increase in the ratio of overdue loans, which might exceed the standard historic average, reflecting a deterioration of CGD's quality of assets.

A negative development of any of the above factors may adversely affect the business and performance of CGD.

Exposure to the Issuer's credit risk in case of insufficiency of the assets comprised by the Cover Pool

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.

The Issuer's short and long term ratings issued by the diverse international rating agencies were updated in 2017: on 21 December 2017, Fitch affirmed the Issuer's 'BB-/B' long-term and short-term ratings, with a positive outlook and on 22 March 2017, Moody's affirmed the Issuer's 'B1' long term deposit and senior debt ratings, with a stable outlook. Other issued securities and the baseline credit assessment were placed on 'review with direction uncertain'. On 1 June 2017, DBRS affirmed the Issuer's 'BBB (low)/R-2 (middle)' long-term and short-term ratings, with negative outlook. Any further downgrading of the ratings of the Issuer may adversely affect its funding and therefore its financial performance.

CGD's business may be affected by the volatility in interest rates and to changes in the competitive environment affecting spreads on its lending and deposits

CGD's business is sensitive to volatility in interest rates and to changes in the competitive environment affecting spreads on its lending and deposits.

CGD is subject to the risks typical of banking activities, including interest rate fluctuations. Changes in interest rate levels, yield curves and spreads may affect CGD's lending and deposit spreads. CGD is exposed to changes in the spread between the interest rates payable by it on deposits or its wholesale funding costs, and the interest rates that it charges on loans to customers and other banks. While both the interest rates payable by CGD on deposits, as well as the interest rates that it charges on loans to customers and credit institutions, are in each case mainly floating rates or swapped into floating rates, there is a risk that CGD will not be able to re-price its floating rate assets and liabilities at the same time, giving rise to re-pricing gaps in the short or medium term. CGD is also subject to intense competition for customer deposits and the current

low interest rate environment puts pressure on CGD's deposit spreads. CGD may not be able to lower its funding costs, whether relating to deposits or wholesale funding, in line with decreases in interest rates on its interest-bearing assets.

Interest rates are sensitive to several factors that are out of CGD's control, including fiscal and monetary policies of governments and central banks, as well as domestic and international political conditions. An increase in interest rates could reduce the demand for credit, as well as contribute to an increase in defaults by CGD's customers. Conversely, a reduction in the level of interest rates may adversely affect CGD through, among other things, a decrease in the demand for deposits and increased competition in deposit-taking and lending to customers. As a result of these factors, significant changes or volatility in the interest rates could have a material adverse impact on the business, financial condition or results of operations of CGD.

CGD has implemented risk management methods aimed at mitigating these and other market risks, and exposures are constantly measured and monitored. Although CGD undertakes hedging operations in order to reduce its exposure to interest rate risk, it does not hedge its entire risk exposure and cannot ensure that its hedging strategies will be successful. If CGD is unable to adjust the interest rate payable on deposits in line with the changes in market interest rates receivable by it on loans, or if CGD's monitoring procedures are unable to adequately manage the interest rate risk, its interest income could increase less or decline more than its interest expense, in which case CGD's results of operations and financial condition or prospects could be negatively affected.

The Issuer's short term liabilities to its customers may exceed its highly liquid assets

The Issuer's primary source of funds has traditionally been its retail deposit base (savings, current and term deposits). During the global crisis that affected the financial system, the Issuer continued to benefit from the high levels of trust from its individual customers and was able to maintain its retail deposits base stable. In the period 2011-2012, the lack of other financing sources caused by the liquidity restrictions faced by Portuguese banks in international money markets and capital markets has led the Issuer (as well as the other Portuguese banks) to increase the interest rates paid on deposits thus reinforcing the attractiveness of these products.

The Issuer's other funding sources include medium and long-term bond issues, commercial paper and medium-term structured products. The Issuer has also borrowed money in the money markets. Since 2010, however, when the sovereign debt crisis in Europe worsened, resulting in Greece and other countries requesting financial support from the EC/IMF/ECB, Portuguese banks, including the Issuer, have increased their funding with the ECB, given the tighter conditions in accessing the wholesale markets. As at 31 December 2016, CGD had a net exposure to ECB funding of around EUR 3.5 billion (as at 31 December 2015 the corresponding value was below EUR 2.84 billion). As of 30 June 2017, the total amount of funding from the ECB (TLTRO) of CGD and its subsidiaries was €3.5 billion.

CGD continued to comply with the conditions set out in Bank of Portugal's regulations in respect of liquidity, which includes a detailed, permanent collection of information on credit institutions' liquidity levels, including their forecast treasury plans over a one year timeframe. This trend may however revert with the predictable further rise in deposits and fall in new loans granted inherent to the deleveraging process.

Since the Issuer relies on the aforementioned sources for funding, there is no assurance that, in the event of a sudden or unexpected shortage of funds in the market in which the Issuer operates, the Issuer will be able to maintain its levels of funding without incurring higher funding costs or the liquidation of certain assets. Additionally, as the Issuer is impacted by any changes that may occur in the requirements set by the ECB in its refinancing operations, if the Issuer is unable to borrow sufficient funds to meet its obligations to its customers and other investors, the Issuer's business activities, financial condition and results of operations will be materially adversely affected. As of 30 June 2017, the amount of Loans and advances to customers was €65,366 million and Customer resources and other loans totalised €69,915 million.

Portugal may be subject to further rating reviews by the rating agencies, with implications on the funding of the economy and on the Issuer's activity

The rating agencies Standard & Poor's Credit Market Services Europe Limited ("**S&P**"), Moody's Investors Services Ltd. ("**Moody's**"), Fitch Ratings Limited ("**Fitch**") and DBRS Ratings Limited ("**DBRS**") have, over the last year, updated Portugal's long term rating or outlook. Current ratings are as follows: S&P: BBB- as of 15 September 2017, with a stable outlook as of 15 September 2017; Moody's: Ba1 as of 27 July 2014, with a positive outlook as of 1 September 2017; Fitch: BBB as of 15 December 2017, with a stable outlook as of 15 December 2017; and DBRS: BBB (low) as of 30 January 2012, with stable outlook as of 21 April 2017. The rating downgrades over the last years were essentially due to the uncertainties and risks arising from the budgetary consolidation process implemented under the Economic and Financial Assistance Programme ("**EFAP**"), the low competitiveness of the Portuguese economy abroad, external funding difficulties and the sustainability of public debt dynamics. There might be further downgrades of the long term rating assigned to Portugal in the future, namely, in the case of, a deterioration of the public finance situation arising from weaker economic performance, caused by the austerity measures adopted internally or induced by contagion as a consequence of the slowdown in the economic activity of Portugal's main trading partners, particularly Spain, or if the market perceives these measures as insufficient or as a result of the lack of success of structural reforms, of the simplification of State administration and streamlining of the Portuguese justice system. Under these circumstances, Portugal's perceived credit risk will increase, with resulting negative effects on the credit risk of Portuguese banks (including CGD) and, consequently, on their profit levels. The effect of the rating downgrades of Portugal on the funding of Portuguese banks has been less stringent since the ECB relaxed the rules for the eligibility of assets to be used as collateral for discount operations. However, any reduction in the rating of Portugal would mean increased haircuts and a reduction of the value of the pool of assets eligible for discount operations with the ECB, in particular with respect to securitisations and covered bonds. Accordingly, any downgrading of the ratings of Portugal could have an impact on the Issuer and adversely affect its business and therefore its financial performance. See also the risk factor entitled "*CGD is subject to the risk that liquidity may not always be readily available; this risk is exacerbated by current conditions in global financial markets*" below.

Adjustments to the financial system and to the European banking model may have an impact hard to forecast

Several adjustments to the financial system and to the European banking model, including amendments to the regulatory framework are in force since 23 November 2014, but it is still difficult to anticipate with

accuracy the impact that the implementation of these measures will have on the banking sector.

Notwithstanding the efforts yet to be faced by Portuguese banks, many changes to business models have already been implemented and, at the same time, capital has been strengthened and liquidity has become more stable.

The forecast of limited economic growth for Europe is expected to keep interest rates low with subsequent impact on financial margins and profitability. This is of particular significance for CGD, considering that it has a significant portfolio of long-term mortgage loans indexed to Euribor.

CGD intends to maintain its lending policy based on a sound risk methodology of risk adjusted pricing by financing Portuguese companies, especially producers of durable goods.

Further, CGD's on-going policy on impairments, which has had a negative effect on profitability, will mitigate the effects of a deteriorating credit environment, which is expected to continue throughout the year.

Notwithstanding the problems noted in the money and capital markets since 2008, 2016 saw a growing trend towards stabilising confidence levels in the financial system, providing CGD with a more favourable financing environment in terms of its resource-taking policy. CGD endeavoured to guarantee a sustainable financing structure for its activity. Finally, the decrease of ECB's dependence coupled with the stabilisation of market conditions, will lead to a greater discipline and search for adequate funding conditions which is expected to optimise costs and allow CGD to carry out a normal business activity.

CGD is subject to compliance risk with existing and future regulations, the breach of which can cause damages to CGD

CGD operates in a highly regulated industry. CGD's banking activities are subject to extensive regulation by, among others, the ECB, the Bank of Portugal, the European Banking Authority ("**EBA**"), the European and Securities Markets Authority ("**ESMA**") and the Portuguese Securities Market Commission ("**CMVM**", *Comissão do Mercado de Valores Mobiliários*), as well as other supervisory authorities from the EU and the countries in which CGD conducts its activities. These regulations relate to liquidity, capital adequacy and permitted investments, ethical issues, money laundering, privacy, know your customer (KYC), securities (including debt instruments) issuance and offering/placement, financial intermediation issues, record-keeping, marketing and selling practices.

These regulations include rules and regulations related to the prevention of money laundering, bribery and terrorism financing. Compliance with anti-money laundering, anti-bribery and counter-terrorist financing rules entails significant cost and effort. Non-compliance with these rules may have serious consequences, including adverse legal and reputational consequences. Although the Issuer believes that its current anti-money laundering, anti-bribery and counter-terrorism financing policies and procedures are adequate to ensure compliance with applicable legislation, the Issuer cannot guarantee that it will comply, at all times, with all applicable rules or that its regulations for fighting money laundering, bribery and terrorism financing as extended to the whole Group are applied by its employees under all circumstances. This can lead to material adverse effects on the Issuer's business, financial condition, results of operations and prospects.

All the above regulations are complex and their fulfilment implies high costs in terms of time and other resources. Additionally, non-compliance with the applicable regulations may cause damages to CGD's

reputation, application of penalties and even loss of authorisation to carry out their activities.

Due to the persistence of the financial crisis and the subsequent government intervention, regulation in the financial services sector has increased substantially and is expected to continue to do so, which may include the imposition of higher capital requirements, more demanding duties of information and restrictions on certain types of activity or transaction.

Also, new regulations may restrict or limit the type or volume of transactions in which the Issuer participates, or cause a change in the fees or commissions that the Issuer charges on certain loans or other products; consequently any changes in regulation, or supervision, particularly in Portugal, may have a material adverse effect on CGD's business, financial condition and results of operations.

The fulfilment of current and future capital requirements, as set out by the European Commission, the European Council and the European Parliament (together, the "European Authorities") by the Bank of Portugal and by the ECB could lead to CGD facing adverse consequences

In 2013, the European Authorities approved a new legislative package to strengthen the regulation of the banking sector and to implement the Basel III agreement in the EU legal framework, replacing the former Capital Requirements Directives (2006/48/EC and 2006/49/EC): Regulation 575/2013 of the European Parliament and of the Council of 26 June establishing new and detailed prudential requirements to be observed by institutions (the "CRR") and Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions (the "CRD IV").

The CRR has been directly applicable in European States since 1 January 2014 and includes provisions regarding, for instance, own funds requirements, minimum capital ratios and liquidity ratios. These measures may have a significant impact on the Issuer's capital and on their respective assets and liabilities management. The CRD IV was implemented in Portugal by Decree-Law no. 157/2014, of 24 October, which amended the Portuguese Legal Framework of Credit Institutions and Financial Companies (hereinafter, "RGICSF") (enacted by Decree-Law no. 298/92, of 31 December, as amended). This was accompanied by the entry into force of the Bank of Portugal's notice no. 6/2013, of 23 December, which established how the transitional provisions of the CRD IV would apply to minimum capital requirements and the respective calculation. A 5-year transitory period was set up in order to adapt the previously applicable rules to the new regulations.

Banks operating in Portugal are obliged to comply with a number of capital ratios, including a minimum Common Equity Tier 1 ("CET1") ratio of 4.5 per cent., a minimum Tier 1 ratio of 6 per cent. and a minimum total capital ratio of 8 per cent., in each case of risk-weighted assets and in each case to be met on a phased-in basis until 1 January 2019, after which they will be applied on a fully-loaded basis.

The CRD IV/CRR include general rules and requirements on supervision powers, wages, governance and disclosure, as well as introducing a number of additional CET1 capital buffers:

- A capital conservation buffer of 2.5 per cent. of risk-weighted assets;

- A countercyclical capital buffer of between 0 and 2.5 per cent. of risk-weighted assets, but this buffer may be higher pursuant to the requirements established by the competent authorities in different jurisdictions;
- A systemic risk buffer of up to 5 per cent. of risk-weighted assets to address systemic risks of a long-term, non-cyclical nature that are not covered by the CRR; and
- A systemic institutions risk buffer: i) for institutions with global systemic importance: between 1 and 3.5 per cent. of risk-weighted assets; and ii) for other institutions with a systemic importance: between 0 and 2 per cent. of risk-weighted assets.

As regards Portuguese banks, the Bank of Portugal decided that the capital conservation buffer would be phased-in. As of January 2017, the buffer was set at 1.25 per cent., as of 1 January 2018 it will be 1.875 per cent. and, as of 1 January 2019, it will be 2.5 per cent. The Bank of Portugal has also decided to set the counter-cyclical buffer rate at 0 per cent. of the total risk-weighted assets ("**RWA**"). This buffer applies to all credit exposures to the domestic private non-financial sector of credit institutions and investments firms in Portugal subject to the supervision of the Bank of Portugal or the ECB (the "**Single Supervisory Mechanism**"), as applicable. The Bank of Portugal will review this decision on a quarterly basis.

The Bank of Portugal, after having duly notified the ECB under Article 5 of Council Regulation (EU) no. 1024/2013, of 15 October 2013, which did not object to the Bank of Portugal's decision, and after having also consulted with the National Council of Financial Supervisors, under Article 2(3)(c) of Decree-Law no. 143/2013, of 18 October, decided to impose capital buffers on credit institutions identified as systemically important institutions ("**O-SIIs**"). For that purpose, on 29 July 2016 the Bank of Portugal published a table with the names of the banking groups identified as O-SIIs and the respective capital buffers, as a percentage of the total RWA. These buffers shall consist of CET1 capital on a consolidated basis and shall be applicable in phases, from 1 January 2018 to 1 January 2019 and thereafter. In the case of CGD, the applicable buffer is 0.25 per cent. from 1 January 2018, 0.50 per cent from 1 January 2019, 0.75 per cent from 1 January 2020 and 1.00 per cent. from January 2021 onwards, unless any further amendments are introduced by the Bank of Portugal. Simultaneously, the Bank of Portugal also published a more detailed document on the methodology for the identification and calibration of the O-SIIs buffer.

Based on the 2016 Supervisory Review and Evaluation Process ("**SREP**"), CGD is required to maintain at all times a Total SREP Capital Requirement ("**TSCR**") of 10.5 per cent. on a consolidated basis (9.25 per cent. on an individual basis), which includes a Pillar 1 requirement of 8 per cent. on a consolidated basis (8 per cent. on an individual basis) and a Pillar 2 requirement of 2.5 per cent. on a consolidated basis (1.25 per cent. on an individual basis). The TSCR may change at least on a yearly basis. In addition to TSCR, CGD is required to maintain a Combined Buffer Requirement ("**CBR**"). As of 1 January 2017, the CBR stands at 1.25 per cent., corresponding to the phased-in portion of the Capital Conservation Buffer (2.5 per cent. fully-loaded by 1 January 2019). The current total capital requirements are 11.75 per cent. on a consolidated basis and 10.5 per cent. on an individual basis.

The phased-in CET1 and total capital ratios calculated on a consolidated basis under the CRD IV/CRR rules were 7.0 per cent. and 8.1 per cent., respectively, in December 2016. The phased-in CET1 and total capital ratios calculated on an individual basis under the CRD IV/CRR rules were 6.8 per cent. and 8.3 per cent.,

respectively, in December 2016. These ratios were below the current SREP requirements set by the regulators for CGD on a consolidated basis. However, the regulators have granted CGD a grace period to allow for the completion of the 2017 Recapitalisation Plan. Following the completion of the 2017 Recapitalisation Plan, CGD is no longer in breach of such SREP requirements. As of 30 June 2017, CGD's phased-in and fully implemented CET1 ratios were 12.8 per cent. and 12.6 per cent., with phased-in Tier 1 and Total ratios of 13.8 per cent. and 14.6 per cent., respectively.

Current capital ratios include legacy Tier 1 instruments that do not qualify as Additional Tier 1 under the CRR, but are subject to grandfathering (on a tapered basis) until 1 January 2022.

As at 30 June 2017, the contribution of these instruments to CGD's consolidated Tier 1 ratio, under the phasing-in methodology, amounted to €48.4 million equivalent to 0.09 per cent. of the ratio. The contribution calculated in accordance with the fully implemented methodology was nil.

Current capital ratios also include legacy Tier 2 instruments, some of which do not qualify as Tier 2 under the CRR, but are subject to grandfathering (on a tapered basis) until 1 January 2022. As at 30 June 2017, the contribution of these instruments to CGD's consolidated total capital ratio, under the phasing-in methodology, amounted to €451 million, equivalent to 0.84 per cent. of the ratio. The contribution calculated in accordance with the fully implemented methodology was 0.20 per cent. CGD may be subject to regular comprehensive assessments conducted by the ECB to ascertain if its capital ratios are capable of withstanding stress test scenarios.

Additionally, the Issuer may be subject to future changes in regulation related to capital requirements. The capital adequacy requirements applicable to CGD 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.

The CRD IV/CRR requirements adopted in Portugal may change, whether as a result of further changes to the CRD IV/CRR agreed by EU legislators, binding regulatory technical standards to be developed by the EBA, or of changes to the way in which these requirements apply to Portuguese banks. For example, on 23 November 2016, the EU Commission proposed substantial changes to the CRD IV, the CRR, the Bank Recovery and Resolution Directive ("**BRRD**") and the Single Resolution Mechanism framework (the "**Proposals**"). The changes include setting higher capital and additional loss absorbing capacity requirements, increasing the powers of the relevant competent authorities and incorporating regulatory definitions of trading activity, standardised and advanced RWA calculation methodologies for market risk and new standardised RWA rules for counterparty credit risk. The proposal also includes phase-in arrangements for the regulatory capital impact of IFRS 9 and the ongoing interaction of IFRS 9 with the regulatory framework, including potential changes to relevant accounting standards, which may in turn result in changes to the methodologies which CGD is required to adopt for the valuation of financial instruments. The impact of changes to the IFRS, such as IFRS 9, cannot be accurately quantified, but the changes in the fair values and impairments of financial instruments resulting from the above could have a material adverse effect on CGD's financial condition, results of operations and, if such changes are significant, also on its prospects. The adoption of IFRS 9 may require an increase in the level of impairments.

Changes in the Basel Committee's recommendations, and/or new recommendations, can adversely affect the Issuer

Recent developments in the banking market have suggested that even stricter rules may be applied by a later framework ("**Basel IV**"), which is expected to follow Basel III and will require more stringent capital requirements and greater financial disclosure. Basel IV is likely to comprise higher leverage ratios to be met by the banks, more detailed disclosure of reserves and the use of standardised models, rather than banks' internal models, for the calculation of capital requirements.

The Basel Committee is working on several policy and supervisory measures aimed at enhancing the reliability and comparability of risk-weighted capital ratios. These measures include revised standardised approaches for credit risk and for operational risk, a set of constraints on the use of internal model approaches for credit risk, including exposure-level, model-parameter floors, and a leverage ratio minimum requirement, and aggregate capital floors for banks that use internal models based on the proposed revised standardised approaches.

In 2014, the Basel Committee issued a final regulatory text for a new standardised approach for measuring counterparty credit risk exposures, which is included in the Proposals (as defined below). Moreover, in January 2016 the Basel Committee completed the Fundamental Review of the Trading Book, a comprehensive revision of the capital adequacy standard for market risk, which is also included in the Proposals. The new standard entails substantial revisions to both the standardised approach and the internal models approach. Furthermore, in March 2016, the Basel Committee published a proposal for a new standardised measurement approach for operational risk, which would replace all existing approaches for operational risks, including the Advanced Measurement Approach, which is the internal model-based approach for measuring operational risk in the current framework.

In December 2014, the Basel Committee issued a consultative document on the design of a capital floor framework. The framework would be based on the proposed revised standardised approaches, to limit the risk of capital requirements being too low due to the use of internal models. The new floor framework would replace the current capital floor, based on the Basel I standard, for banks using internal models.

In December 2015, the Basel Committee published its second consultative document on a revised standardised approach for credit risk. The document proposes, among other things, to reduce reliance on external credit ratings, increasing risk sensitivity and reducing national discretions.

In March 2016, the Basel Committee proposed constraints on the use of internal model approaches for credit risk. In particular, the Basel Committee proposed to remove the option of using the IRB approaches for certain exposures; to adopt exposure-level, model-parameter floors; and to provide greater specification of parameter estimation practices.

The new framework is in the process of being finalised for all relevant workstreams and there is a high degree of uncertainty with regards to the Basel Committee's final calibration of the proposed reforms, and subsequently, how and when these reforms will be implemented in the EU. It is thus too early to draw firm conclusions regarding the impact on future capital requirements.

New Requirements related to liquidity ratios may affect profitability

The Basel III recommendations endorse the implementation of liquidity coverage ratios for short and medium/long term liabilities, known as Liquidity Coverage Ratio ("LCR") and Net Stable Funding Ratio ("NSFR"). The LCR addresses the sufficiency of high quality liquidity assets to meet short-term liquidity needs under a severe stress scenario and it is calculated in accordance with Delegated Regulation (EU) 2015/61 of the European Commission, of 10 October 2014. As of 2017, financial institutions have been required to maintain, in their own portfolio, high quality liquidity assets corresponding to 80 per cent. of the net cash outflows in the following 30 days. As of 2018, this requirement will increase to 100 per cent. The NSFR, which is to be implemented in 2018, will seek to establish a minimum acceptable amount of stable funding based on the liquidity characteristics of an institution's assets and activities over a one-year period.

As at 31 December 2016, CGD's LCR was 181.1 per cent., compared to 143.1 per cent. as at 31 December 2015, and its NSFR was 134.6 per cent., compared to 135.9 per cent. as at 31 December 2015. As at 30 June 2017, CGD's LCR was 222.3 per cent. and its NSFR was 137.1 per cent.

The fulfilment of these ratios by the Issuer may lead to the constitution of portfolios with high liquidity assets, but low profitability. Additionally, it may lead to an increase in financing costs, since the ratios increase favours long-term over short-term financing. Such changes may have a negative impact on the Issuer's results.

Regulatory changes may have a negative impact on CGD

CGD is subject to financial services laws, regulations, administrative actions and policies in each location where it operates. Changes in supervision and regulation, particularly in Portugal, could materially affect CGD's businesses, the products and services offered or the value of its assets. At present, foreseeable changes include, but are not limited to changes to capital adequacy regulations (Basel IV, CRR II, CRD V), or the introduction of minimum leverage ratios beyond the 3 per cent. required by Basel III. Although CGD works closely with its regulators and continually monitors the ongoing situation, future changes in regulation, fiscal or other policies can be unpredictable and are beyond the control of CGD.

The Issuer could be adversely affected by changes to tax legislation and to other laws or regulation

CGD may be adversely affected by changes in the tax legislation and in other laws or regulations applicable in Portugal, the EU or those countries in which it operates, or may operate in the future, as well as by changes in the interpretation by the competent tax authorities of legislation and regulation. The measures taken by the Portuguese Government to achieve fiscal consolidation and to stimulate the economy may result in higher taxes or lower tax benefits. Further changes or difficulties in the interpretation of or compliance with new tax laws and regulations might negatively affect the Issuer's respective business, financial condition and results of operations.

Minimum Requirement for own funds and Eligible Liabilities could have a material effect on the Issuer

The Financial Stability Board has issued a standard on Total Loss-Absorbing Capacity ("TLAC"), which sets corresponding requirements for global systemically important banks ("G-SIB"). CGD is currently not considered G-SIB. The TLAC requirement will be phased-in starting from 1 January 2019. However, there is currently work ongoing in the EU to implement the TLAC standard in EU legislation. In particular, the

European Commission has proposed to incorporate TLAC into the capital requirements framework, as an extension of the own funds requirements and as part of the Proposals (as defined below). Although TLAC only applies to G-SIBs, in the Proposals, the European Commission has proposed that other banks, like CGD, be subject to a firm-specific minimum requirement for own funds and eligible liabilities ("**MREL**") regime, under which they would be required to issue a sufficient amount of eligible instruments to absorb expected losses in resolution and to recapitalise the institution or the surviving part thereof.

In accordance with Article 145-Y of the RGICSF, financial institutions will be required to meet a MREL requirement. The actual size of the CGD's MREL has not yet been set. CGD expects that the Single Resolution Board ("**SRB**") together with the Bank of Portugal, will decide and notify it, during 2017, of what its MREL should be, as well as the timing for its implementation. The expectation is that CGD will be granted a period of several years (to be confirmed by the SRB once its MREL requirement is known) to comply with its MREL requirement. In order to comply with this requirement, CGD may be requested, in the future, to issue own funds and additional liabilities which will be eligible to count toward the MREL requirement.

On 23 November 2016, the European Commission published legislative proposals (the "**Proposals**") for amendments to the CRR, the CRD IV, the BRRD and the Single Resolution Mechanism Regulation, and also proposed an amending directive to facilitate the creation of a new asset class of "non-preferred" senior debt. The Proposals cover multiple areas, including the definitions of capital, the Pillar 2 framework, mandatory restrictions on distributions, permission for reducing own funds and eligible liabilities, macroprudential tools, a new category of "non-preferred" senior debt, the MREL framework and the integration of the TLAC standard into EU legislation as mentioned above. In addition, the European Commission announced a binding 3 per cent. leverage ratio and a binding detailed NSFR (which will require credit institutions and systemic investment firms to finance their long-term activities (assets and off-balance sheet items) using stable sources of funding (liabilities) in order to increase banks' resilience to funding constraints. Under the Proposals, the leverage ratio requirement is set at 3 per cent. (calculated by dividing a bank's tier one capital by its total leverage exposure measure) and is added to the own funds requirements in the CRR which institutions must meet in addition to/in parallel with their risk-based requirements, and will apply to all credit institutions and investment firms that fall under the scope of the CRR, subject to selected adjustments.

In particular, it is proposed that MREL – which should be expressed as a percentage of the total RWA and of the leverage exposure measure of the relevant institution – should be determined by the resolution authorities at an amount that allows banks to absorb losses expected in resolution and to recapitalise the bank post-resolution. In addition, it is proposed that resolution authorities may require institutions to meet higher levels of MREL in order to cover losses in resolution that are higher than those expected under a standard resolution scenario and to ensure sufficient market confidence in the entity post-resolution. These higher levels are expected to take the form of "MREL guidance", and it is currently envisaged that institutions that fail to meet the MREL guidance shall not be subject to restrictions on the ability to make distributions (the "**maximum distributable amount**").

The Proposals are still to be considered by the European Parliament and the Council of the European Union and therefore remain subject to change. The final package of new legislation may not include all elements

of the Proposals and new or amended elements may be introduced during the legislative process. Until the Proposals are in final form, it is uncertain how the Proposals will affect CGD or holders of the Covered Bonds.

Strong competition is faced by CGD across all the markets in which it operates

CGD faces strong competition across all the markets in which it operates, from both local and international financial institutions.

In Portugal, the principal competitors of the Issuer in the banking sector (ranking in terms of assets as of 31 December 2016) are the Millennium BCP Group, the Novo Banco Group (the former Banco Espírito Santo, S.A. ("BES") following the resolution measures applied by the Bank of Portugal to BES on 3 August 2014), the Santander/Totta Group and the BPI Group. The competition is affected by consumer demand, technological changes, the 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 capable of offering a wider array of products and services, at competitive prices. If CGD is unable to provide attractive and profitable product and service offerings, it may lose market share or incur losses on some or all activities.

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

Potential impact of recovery, resolution measures, Non-viability Loss Absorption Measure and public support measures on CGD's activity

Decree-Law no. 31-A/2012, of 10 February, introduced the legal framework for the adoption of resolution measures into the RGICSF. Such framework was further amended by Decree-Law no. 114-A/2014, of 1 August, Decree-Law no. 114-B/2014, of 4 August and by Law no. 23-A/2015, of 26 March, which transposed the BRRD into the Portuguese framework.

The provisions set out in the RGICSF aim at harmonising the resolution procedures of, among other institutions, credit institutions of the European Union Member States and at providing the authorities of such Member States with tools to prevent a failure or, when a failure occurs, to mitigate its adverse effects, by maintaining the systemically key functions of those same institutions.

The RGICSF provides for three stages of intervention by the resolution authority:

- Preparation and planning: preparation for the adoption of measures for recovery and resolution, including: (i) drawing up and submitting recovery plans by credit institutions to the competent authority for evaluation, which shall provide for the measures to be taken for restoring their financial position following a significant deterioration of their financial position and, (ii) drawing up of a resolution plan for each credit institution or group.
- Early intervention: if a credit institution breaches or is likely to breach the legal and regulatory requirements applicable to its activity, the resolution authority has the power to *inter alia*: (i) limit or modify exposure to risk; (ii) require additional information; (iii) set restrictions or prohibitions on certain activities and changes to group structures; (iv) restrict or prohibit the distribution of dividends

to shareholders or the payment of interest to holders of additional tier 1 instruments; (v) replace managers or directors; and (vi) require credit institutions to transfer assets that constitute an excessive or undesirable risk to the soundness of the institution.

- Resolution measures: resolution measures may consist of the following, which may be implemented individually or in conjunction:
 - Sale of business tool: transfer to a purchaser, by virtue of a decision of the resolution authority, of shares or other instruments of ownership or of some or all of the rights and obligations, corresponding to assets, liabilities, off-balance sheet items and assets under management, of the institution under resolution, without the consent of the shareholders of the institution under resolution or that of any third party other than the acquirer;
 - Bridge institution tool: establishment by the resolution authority of a bridge institution, to which shares or other instruments of ownership or some or all of the rights and obligations, corresponding to assets, liabilities, off-balance sheet items and assets under management, of the institution under resolution are transferred without the consent of the shareholders of the institution under resolution or that of any third party;
 - Asset separation tool: transfer, by virtue of a decision of the resolution authority, of rights and obligations, corresponding to assets, liabilities, off-balance sheet items and assets under management, of an institution under resolution or of a bridge institution to one or more asset management vehicles, without the consent of the shareholders of the institutions under resolution or that of any third party other than the bridge institution. The asset management vehicles are legal persons owned in full or in part by the relevant resolution fund; and
 - Bail-in tool: write-down or conversion by the resolution authority of certain obligations of an institution under resolution, as defined under the applicable law, for instance, covered deposits and secured obligations, such as the Covered Bonds. However, to the extent that the Cover Pool is insufficient to meet all claims of the holders of Covered Bonds, such holders of Covered Bonds will have an unsecured claim over the Issuer for the uncovered claims, thus being subject to bail-in. In exceptional circumstances, when the bail-in tool is implemented, the resolution authority may exclude or partially exclude certain liabilities from the application of the write-down or conversion powers. This exception shall apply when it is strictly necessary and proportionate and shall fall under the specific requirements provided by law.

Resolution measures may be applied to institutions if the resolution authority considers that the relevant institution and/or certain other members of the institution's group meet the following conditions ("**Resolution Conditions**"): (a) such institutions and/or certain other members of the respective institution's group are failing or likely to fail, (b) there is no reasonable prospect that such failure will be avoided within a reasonable timeframe by the adoption of any measures by the relevant institutions and/or certain other members of the relevant institution's group, the application of early intervention measures or through the application of a Non-viability Loss Absorption Measure (as defined below), (c) a resolution action pursues any of the public interests listed below and (d) which would not be pursued more effectively by the commencement of winding-up proceedings against the relevant institution:

- ensures the continuity of essential financial services for the economy;
- prevents serious consequences to financial stability, including by preventing contagion between financial entities and maintaining market discipline;
- protects the interests of taxpayers and the public treasury by minimising the use of public funds;
- protects the funds and assets held for and on behalf of clients and related investment services; and
- safeguards the confidence of depositors and investors protected by any applicable depositors and investors compensation schemes;

For the purposes of applying resolution measures, an institution, and/or certain other members of the institution's group, is considered to be failing or likely to fail when either: (a) it is, or is likely in the near future to be, in breach of requirements for maintaining its licence; (b) its assets are, or are likely in the near future to be, less than its liabilities; (c) it is, or is likely in the near future to be, unable to pay its debts as they fall due; or (d) it requires extraordinary public financial support, except when, in order to remedy a serious disturbance in the Portuguese economy and preserve financial stability, the extraordinary public financial support takes the form of: (i) a State guarantee to back facility agreements, including liquidity facilities provided by central banks according to the central banks' conditions and newly issued liabilities; or (ii) a public investment capitalisation transaction, subject to, at the time such public investment is carried out, none of the Resolution Conditions, nor any of the Non-viability Loss Absorption Tool Conditions (as defined below) having to be met by the relevant institution.

Upon the entry into force of Regulation (EU) no. 806/2014 of 15 July 2014 (the "**SRM Regulation**") on 1 January 2016, the Bank of Portugal's powers as resolution authority in relation to CGD were transferred to the Single Resolution Board.

The implementation of resolution measures is not subject to the prior consent of the credit institution's shareholders, nor that of the contractual parties related to assets, liabilities, off-balance sheet items and assets under management to be sold or transferred.

Finally, pursuant to the RGICSF, prior to the application of a resolution measure, the resolution authority shall engage an independent entity for the purposes of carrying out a valuation of an institution's assets, liabilities and off-balance sheet items. In the application of any resolution measure, the resolution authority shall ensure that an institution's first losses are borne by the respective shareholders, followed by the creditors (save for depositors covered by a deposit guarantee scheme) of an institution, in an equitable manner and in accordance with the order of priority of the various classes of creditors under normal insolvency proceedings.

As regards the bail-in resolution tool, it may be used alone or in combination with other resolution tools where the relevant resolution authority considers that an institution meets the Resolution Conditions and gives such resolution authority the power to write down certain claims of unsecured creditors of a failing institution and/or to convert certain unsecured debt claims into equity, which could also be subject to any future application of the general bail-in tool. In addition to the resolution tools described above, the RGICSF provides for the resolution authorities to have the further power to permanently write-down, or convert into equity (common equity tier 1 instruments), capital instruments such as Tier 2 instruments and

Additional Tier 1 capital instruments at the point of non-viability of an institution or such institution's group and before any other resolution action has been taken (the "**Non-viability Loss Absorption Measure**"). Any shares issued upon any such conversion into equity may also be subject to any application of the bail-in tool.

For the purposes of the application of any Non-viability Loss Absorption Measure, the point of non-viability under the RGICSF is the point at which any of the following conditions (the "**Non-viability Loss Absorption Tool Conditions**") is met:

- the resolution authority determines that an institution or such institution's group meets any of the Resolution Conditions and no resolution measure has been applied yet;
- the resolution authority determines that an institution or such institution's group will no longer be viable unless the relevant capital instruments are written-down or converted; or
- extraordinary public support is required and without such support the institution would no longer be viable.

Finally, for the purposes of improving a credit institution's financial strength and subject to (i) State Aid rules, (ii) the Capital Regulations and (iii) the principles of adequacy, necessity and proportionality in terms of return on investment and the assessment of investment risk, Law 63-A/2008, of 24 November 2008, as amended (the "**Public Capitalisation Act**") provides that the Portuguese State may also, recapitalise institutions, on a temporary basis, so that they comply with any required own funds ratios. Any such capital injections should be provided in exchange for shares or other instruments eligible as own funds in the relevant institution. This extraordinary public support shall only be provided to an institution that is a credit institution (such as the Issuer) incorporated in Portugal if: (a) it has insufficient own funds, as determined by the competent authority following the carrying out of stress tests, asset quality reviews or other equivalent tests; (b) none of the Resolution Conditions or the Non-viability Loss Absorption Tool Conditions apply to it; (c) it is solvent; (d) the public support is not provided for the purposes of covering losses declared or likely to be declared by the relevant institution; and (e) public support is required in order to preserve the financial stability and to prevent or correct a serious disturbance in the Portuguese economy. The provision of public support requires that any insufficiency of own funds is first resolved by way of the application of a Non-viability Loss Absorption Measure to the relevant institution so that (i) recapitalisation by the Portuguese State is not needed or is reduced to a minimum or (ii) public funds benefit from a more favourable regime in terms of subordination. The instruments issued by the relevant institution to be fully or partially written-down or converted into equity shall be determined by an order ("*despacho*") of the Portuguese Ministry of Finance, which has the powers of a resolution authority for this purpose.

The powers of the resolution authority set out in the RGICSF following the implementation of the BRRD have an impact on the manner in which institutions are managed as well as, in certain circumstances, on the rights of their creditors. Creditors of an institution may also be affected by the provision of public support by the Portuguese State under the Public Capitalisation Act. Holders of instruments may be subject to write down or conversion into equity on any application of the general bail-in tool or of a Non-viability Loss Absorption Measure. The exercise of any resolution power under the RGICSF, any write down on conversion into equity preceding a potential recapitalisation of the Issuer under the Public Capitalisation Act and/or any suggestion of such exercise or such write down or conversion in connection with a recapitalisation could,

therefore, materially adversely affect the rights of any holders of Covered Bonds, the price or value of their investment in the Covered Bonds and/or the Issuer's ability to satisfy its obligations under the Covered Bonds.

Risks relating to changes in legislation on deferred tax assets could have a material effect on the Issuer

The CRR requires that Deferred Tax Assets ("**DTA**") be deducted from CET1 capital.

However, Article 39 of the CRR contains an exception for DTA that do not rely on future profitability, foreseeing that such DTA are not deducted from CET1 capital. For such purposes, DTA are deemed not to rely on future profitability when:

- (a) They are automatically and mandatorily replaced without delay with a tax credit in the event that the institution reports a loss when its annual financial statements are formally approved, or in the event of its liquidation or insolvency;
- (b) The abovementioned tax credit may, under national tax law, be offset against any tax liability of the institution or any other undertaking included in the same consolidation as the institution for tax purposes under that law or any other undertaking subject to supervision on a consolidated basis; and
- (c) Where the amount of tax credits referred to in point (b) above exceeds the tax liabilities referred to in that same point, any such excess is replaced without delay with a direct claim on the central government of the Member State in which the institution is incorporated.

The deduction of DTA from CET1 capital would thus have an impact on credit institutions established in Member States where national tax law imposes a time mismatch between the accounting and tax recognition of certain gains and losses – namely, Italy, Spain and Portugal.

In this regard, the Italian and Spanish Governments enacted, in 2011 (Italy) and 2013 (Spain, with retroactive effects to 2011), amendments to national tax law that allow for the conversion of DTA into tax credits, with the aim of fulfilling the requirements for non-deductibility of DTA from CET1 capital of resident credit institutions.

The Portuguese Government approved Law no. 61/2014, of 26 August, as amended from time to time, which implements a similar regime, allowing Corporate Income Taxpayers to convert DTA arising from loan impairment losses and from post-employment and long-term employment benefits into tax credits.

This Law foresees that any DTA arising from the abovementioned items, accounted in taxable periods starting on or after 1 January 2015, or registered in the taxpayer's accounts in the last taxable period prior to that date, may be converted into tax credits when the taxpayer: (i) reports an annual accounting loss when the institution's annual financial statements are formally approved by the competent corporate bodies; or (ii) enters into a liquidation procedure, as a result of voluntary dissolution, court-ordered insolvency or, if applicable, cancellation of authorisation by the regulator or supervisory body. The amount of DTA to be converted into tax credits corresponds to the ratio between (i) the amount of the annual accounting loss, and (ii) the total amount of equity minus the amount in (i) above, and is declared by the Corporate Income Taxpayers in their annual Corporate Income Tax return, to be submitted within the five-month period after the year-end. The amount of the declared tax credit must subsequently be confirmed

by the tax authorities through a tax audit procedure to be initiated within the three-month period following the expiry of the annual corporate income tax return submission deadline abovementioned. The tax credits obtained with the conversion of DTA may be offset against any State taxes on income and on assets payable by the taxpayer or by any companies included in the same tax group or in the same group for purposes of prudential consolidation under the CRR.

However, the conversion of DTA entails the constitution of a special non-distributable reserve, equivalent to the amount of the tax credit obtained increased by 10 per cent., and conversely, the issuance of symmetric warrants to the Portuguese Republic. The warrants entitle the Portuguese Republic (i) to demand the increase of the issuer's share capital through conversion of the special reserve and subsequent issue and delivery of ordinary shares representing the issuer's share capital or (ii) to freely disposed of them, including by sale to third parties, which may subsequently demand such increase of the issuer's share capital. To mitigate the effects of possible shareholding dilution resulting thereof, this Law grants that, at the date of issuance of the warrants, existing shareholders are automatically vested statutory entitlements that allow them to purchase the warrants from the Portuguese Republic.

The amendments to the DTA conversion regime enacted by Law no. 23/2016, of 19 August 2016, establish that the DTA conversion is not applicable to any DTA arising from the mismatch between the accounting and tax regimes from 1 January 2016 onwards, without precluding its applicability to DTA generated with respect to the previous fiscal years.

As at 30 June 2017, the CGD Group had in its accounts €2,486.7 million DTA, of which €29 million related to reported losses and €2,457.7 million related to temporary mismatches. Of these, €1,285.6 million are dependent on future profitability and €1,172.1 million are protected under the Portuguese fiscal regime. Given that CGD has reported an accounting loss in its individual annual financial statements for the year 2016, which constitutes a trigger to the application of Law no. 61/2014, of 26 August 2014, it is expected that an amount of €446.1 million DTA will be converted into tax credits, reducing in that amount the DTA that are protected under the Portuguese fiscal regime. An additional reserve of €728.1 million will be constituted with this conversion. An adverse development could result if part of these DTA's are not recovered and consequently impact on the profitability and equity of CGD.

The DTA related to reported losses are deducted from regulatory capital, and the DTA related to temporary mismatches that depend on future profitability are partially deducted to capital (the portion that exceeds the threshold of 10 per cent. of CET1) and partially weighed at 250 per cent. Finally, the DTA related to temporary mismatches protected by the Portuguese fiscal regime are weighed at 100 per cent. Eventual changes to the Portuguese fiscal regime could negatively affect the protected DTA (that would eventually be converted into DTA related to temporary mismatches that depend on future profitability). However, at this point, there are no expected changes in the fiscal regime that could negatively affect the calculation of DTA on capital ratios but CGD can not assure that the expected changes will take place.

The Strategic Plan imposes CGD to reduce the level of its non-performing exposures

One of the priorities set by the Single Supervisory Mechanism ("SSM") for the banks under its supervision was a significant reduction of their stock of NPLs and of assets received in recovery processes, particularly real-estate, along with an increase in the coverage ratio from provisions and impairments.

This priority is set in the last SREP Decision issued by the ECB for CGD through the establishment of reporting duties on a quarterly basis for this type of assets along with a request for CGD to submit an operational plan by 28 February 2017 (which has been timely submitted) that would allow, within a reasonable and viable time frame, a reduction in the level of non-performing exposures (loans and foreclosed assets).

Recovery efforts as identified in the plan submitted by CGD, in particular the enforcement of guarantees and asset sales, as well as reference amounts and deadlines, are set under the assumption that CGD will recover the DTA registered and, as a consequence, preserve its regulatory capital.

The stated assumption is based on draft legislation under review by the Portuguese authorities, which will establish the tax regime for loan impairments for 2017 and thereafter. This draft legislation, which is expected to be enacted within the next few months, aims to converge the accounting and fiscal treatment of loan impairments, which is expected to significantly minimise new DTA's generated by time mismatch. On the other hand, it allows for a rather long transition period (of at least 15 years) with pre-set percentages for reductions in tax deductions related to DTA in existence at the end of December 2016, which may be deductible within the new regime.

In the event that the fiscal treatment of loan impairments is different from current expectations, CGD may have to readjust its reduction plan for non-performing exposures, in particular asset sales, so that its level of capital is not affected by the removal of DTA that totalled €2,502,566,234 at the end of 2016 and that will be reduced to €2,071,924,416 after conversion in tax deferrals, under Law no. 61/2014, of 24 August.

The impact on CGD of the recent resolution measures in Portugal cannot be anticipated

On 3 August 2014, the Bank of Portugal announced the decision to apply a resolution measure to Banco Espírito Santo ("BES") consisting of a transfer of most of its business to a bridge bank, Novo Banco, specifically set up for this purpose. Novo Banco is subject to the Bank of Portugal and the ECB's supervision and is obliged to comply with all legal and regulatory rules applicable to Portuguese banks. The by-laws of Novo Banco were also approved by the Bank of Portugal.

Novo Banco's share capital, in the amount of €4.9 billion, was fully underwritten by the resolution fund (the "**Resolution Fund**") created by Decree-Law no. 31-A/2012 of 10 February 2012, amending the RGICSF. Of this, €3,900 million (the "**2014 Portuguese State Loan**") resulted from a loan granted by the Portuguese State to the Resolution Fund. The remaining amount was funded by the Resolution Fund's own funds and by loans granted by the credit institutions, including CGD, participating in the Resolution Fund, in the total amount of €700 million (the "**Participants Loan**"). CGD's share of this loan was and remains at €174.3 million.

On 29 December 2015, the Bank of Portugal announced that a number of decisions clarifying and completing the resolution measure applicable to BES had been approved. In addition, the Bank of Portugal decided to transfer back to BES the obligations and liabilities arising from certain issuances of non-subordinated debt securities placed with institutional investors. The aggregate outstanding principal amount of the debt securities transferred back to BES totalled €1,941 million and had a book-value of €1,985 million. In addition to the measures mentioned above, the Bank of Portugal made a final adjustment to the perimeter of the assets, liabilities, off-balance sheet items and assets under management transferred to Novo Banco.

CGD's pro rata share in the Resolution Fund will vary from time to time according to CGD's liabilities and

own funds, when compared to the other participating institutions. Contributions to the Resolution Fund are adjusted to reflect the risk profile, the systemic relevance and the solvency position of each participating institution. Given the relative size and composition of its balance sheet, CGD estimates that its current participation in the Resolution Fund should range between 20 per cent. and 25 per cent of the Resolution Fund. However, this number varies over time and it is very difficult to determine its exact participation at a given point in time. If only CGD 's share of €174.3 million, of the €700 million loan, granted by the credit institutions to the Resolution Fund to capitalise Novo Banco, is considered, CGD 's participation would be in the region of 24.9 per cent.

Notice 1/2013 (as amended), issued by the Bank of Portugal, establishes that the periodic contributions to the Resolution Fund required from each participating institution shall be determined by applying a contribution rate to an amount corresponding to (i) the average monthly balance of the total liabilities of each participating institution, minus (ii) such institution's own funds and liabilities for deposits covered by the Portuguese Guarantee Scheme ("**Fundo de Garantia de Depósitos**"). The applicable contribution rate is determined based on a base rate adjusted to reflect the risk profile, the systemic relevance and the solvency position of each participating institution.

The periodic contribution rate to be applied is set by the Bank of Portugal. For 2014 and 2015, the rate was 0.015 per cent. For 2016, the rate was 0.02 per cent. For 2017, the rate was 0.0291 per cent.

On 21 March 2017, the Resolution Fund announced the completion of an amendment agreement between the parties to the 2014 Portuguese State Loan, the 2015 Portuguese State Loan (as defined below) and the Participants Loan (jointly, the "**Loans**"), whereby (i) the maturity dates of the Loans have been extended to 31 December 2046, the date on which the Resolution Fund is required to pay the full principal amount of the Loans, (ii) the parties have agreed that the new maturity dates of the Loans would be further adjusted in the future to the extent required to ensure that the Resolution Fund would be able to perform its payment obligations under the Loans based only on the proceeds from the regular revenues of the Resolution Fund, (iii) the parties have further agreed that the Loans would rank *pari passu* without any preference among themselves and (iv) the Resolution Fund has undertaken that, before the full payment of any amounts due and payable in respect of the Loans, it would not make any payments of principal or interest under any other loans obtained by it after 31 December 2016 to fund any contingent liabilities arising in connection with the resolution measures applied to BES and Banif- Banco Internacional do Funchal, S.A. ("**Banif**"). A press release confirming the completion of this amendment agreement was also published by the Ministry of Finance on the same date. The agreement reached between the parties to the Loans was designed with the goal of ensuring that the Resolution Fund would be able to fully perform all of its actual or contingent liabilities in connection with the resolutions of BES and Banif, using the ordinary contributions made by the participating institutions and the contribution from the banking sector, thereby avoiding the need for any special contributions.

On 31 March 2017, the Bank of Portugal announced that a share purchase and subscription agreement relating to the share capital of Novo Banco was entered into between the Resolution Fund and Lone Star. On 18 of October 2017, the Bank of Portugal and the Resolution Fund concluded the sale of Novo Banco to Nani Holdings, SGPS, S.A. (a 100% subsidiary of LSF Nani Investments S.à.r.l, a Luxembourg entity owned by

several funds that are part of the Lone Star group), with a share capital increase fully subscribed by Nani Holdings, SGPS, S.A. in the amount of € 750 million, which was followed by a further share capital increase occurred by the end of 2017, in the amount of € 250 million. Nani Holdings, SGPS, S.A. now holds 75 per cent. of Novo Banco's share capital and the Resolution Fund holds 25 per cent. of Novo Banco's share capital.

According to the information contained in the statement of the Bank of Portugal regarding the sale of Novo Banco, which may be consulted at www.bportugal.pt, and in the European Commission's press release, which may be consulted at http://europa.eu/rapid/press-release_IP-17-3865_en.htm, the agreed conditions for the sale of Novo Banco include a contingent capital mechanism, under which the Resolution Fund, as shareholder, undertakes to make capital injections of up to €3.89 billion in case certain cumulative conditions materialise related to: i) the performance of an identified set of assets of Novo Banco; and ii) the evolution of Novo Banco's capitalisation levels. The possible capital injections to be made under this contingent mechanism benefit from a capital buffer resulting from the capital injection to be made under the terms of the transaction and are subject to a maximum absolute limit. On the date hereof, any amounts which the Resolution Fund may need to disburse under the contingent capital mechanism described in the paragraph above cannot be estimated, and accordingly any impact which any such disbursements could have on the Resolution Fund and its resources and on the credit institutions which are contributing participants of the Resolution Fund, including CGD, can also not be estimated.

In January 2013, Banif was recapitalised by the Portuguese State in the amount of € 1,100 million (€ 700 million in the form of special shares and € 400 million in the form of hybrid instruments). This recapitalisation plan also included a capital increase by private investors in the amount of € 450 million, which was concluded in June 2014. Since then, Banif has reimbursed the Portuguese State for €275 million in hybrid instruments, but was not able to reimburse a €125 million tranche in December 2014.

The recapitalisation plan assumed that Banif would enter a restructuring plan that was never agreed with DG Comp. As a consequence, in December 2015 the Portuguese Ministry of Finance informed the Bank of Portugal that Banif would be sold in the context of a resolution, as described below.

On 20 December 2015, the sale of the business of Banif – Banco Internacional do Funchal, S.A. ("**Banif**") and of most of its assets and liabilities to Banco Santander Totta for the amount of €150 million was announced. Accordingly, the overall activity of Banif was transferred to Banco Santander Totta, except the assets transferred to an asset management vehicle (Oitante, S.A.) set up in the context of the application by the Bank of Portugal of the aforementioned resolution measure. This transaction involved an estimated public support of €2,255 million to cover future contingencies, of which €489 million was provided by the Resolution Fund (which was financed by a loan in the same amount granted by the Portuguese State (the "**2015 Portuguese State Loan**")) and €1,766 million directly by the Portuguese State, as a result of the determination of the assets and liabilities to be sold as agreed between the Portuguese authorities, European bodies and Banco Santander Totta. The current outstanding principal amount of the 2015 Portuguese State Loan is € 353 million.

As mentioned above, the Resolution Fund is ultimately financed by the banking system, and thus the outcome of any disposals to be made by or on behalf of the Resolution Fund will ultimately be borne by the institutions required to fund the Resolution Fund, including CGD. However, given the aforementioned

agreement between the State and the Resolution Fund, CGD and the other institutions participating in the Resolution Fund are not expected to be required to make special contributions to the Resolution Fund as a result of any actual or potential liabilities incurred or to be incurred by the Resolution Fund in connection with the resolution measures applied to Banif.

The Resolution Fund has disclosed on its website (www.fundoderesolucao.pt) its annual management report and accounts for the financial year ended on 31 December 2016 ("**Resolution Fund 2016 Accounts**"), from which the information below has been summarised or extracted.

By law, the financing of any eventual losses incurred by the Resolution Fund in the pursuit of its statutory purpose is of the exclusive responsibility of the participating institutions. On 31 December 2016, these losses amounted to € 4,760 million, corresponding to the Resolution Fund's own negative resources, according to the last publicly disclosed information in this regard (see pages 14, 17 and 18 of the Resolution Fund's 2016 Accounts with respect to the Resolution Fund's activity, and pages 33, 34, 42 and 43 with respect to its financial statements of the same document). Additionally, these accumulated losses essentially reflect the recognition of an impairment loss in 2016 of 100% of the shares held in Novo Banco S.A., in the amount of € 4,900 million, and, less significantly, the impairment loss of the credit right over Banif for the financial support provided concerning the intake of losses for the year 2015 (see page 49). As mentioned above, the Resolution Fund now holds 25 per cent. of Novo Banco's share capital.

It should further be noted that, as at 31 December 2016, the Resolution Fund was involved in several legal proceedings, either as a defendant or as an interested counterparty. In particular, the resolution measure applied to BES, in the form of a transfer of the majority of its activity and assets to a bridge bank (Novo Banco), can be identified as the main underlying cause of the increasing number of judicial lawsuits against the Resolution Fund. It should be noted that lawsuits regarding the application of resolution measures are legally unprecedented, which makes it impossible to apply related case-law in their assessment and to estimate the possible associated contingent financial effect (see page 50, note 22).

On 30 March 2016, the Memorandum of Understanding on the Dialogue Procedure with Unqualified Investors which are Holders of Commercial Paper of the Espírito Santo Group (*Memorando de Entendimento sobre um Procedimento de Diálogo com os Investidores não Qualificados Titulares de Papel Comercial do Grupo Espírito Santo*) was signed between the Portuguese Government, the Bank of Portugal, the Portuguese Securities Market Commission (CMVM), BES and AIPEC - Associação de Indignados e Enganados do Papel Comercial. The work developed in the context of this dialogue procedure resulted in a solution framework which implies the express renunciation, by those investors in agreement, of all rights, claims and legal proceedings against the Resolution Fund, and against Novo Banco S.A. and its future shareholders. In accordance with the public information, as of the date of the Resolution Fund 2016 Accounts, the Resolution Fund shall address this solution with financing from the banks, with a possible State guarantee (see page 50, note 22.1). This solution is currently being implemented, also further to approval of according legislation by the Portuguese legislative bodies.

In accordance with the law, the Resolution Fund shall pay compensation to the shareholders and to the creditors of a credit institution subject to a resolution measure in the event that it is determined that they have borne losses superior to those they would have borne had the resolution measure not been applied

and had the credit institution subject to resolution entered into liquidation at the moment this measure was applied. Furthermore, in accordance with the law, the Bank of Portugal has designated an independent entity for the purposes of carrying out an estimate of the credit recovery levels of each class of creditors of BES in the hypothetical scenario of liquidation on 3 August 2014, had the resolution measure not been applied. As announced in a Bank of Portugal statement published on 6 July 2016, given the independent character of the designated entity, the contents of its report and respective conclusions do not necessarily correspond to the opinion or position of the Bank of Portugal. This statement also presents a summary of the results of the independent estimate carried out by the designated entity, and clarifies that BES' secured and privileged credits were transferred to Novo Banco under the terms of the resolution measure established by the Bank of Portugal. The right to compensation by the Resolution Fund, with respect to the ordinary creditors whose credits were not transferred to Novo Banco, will only be decided at the close of BES' process of liquidation. Until then, it will still be necessary to further clarify a complex set of legal and operational questions, notably concerning entitlement to the right to compensation by the Resolution Fund. As such and all things considered, it is impossible for the time being to estimate the compensation amount to be paid upon termination of the BES liquidation. The Resolution Fund considers that there are still insufficient elements to assess the existence and/or value of this potential liability, both in terms of the resolution measure applied to BES and the resolution measure applied to Banif (see page 51, note 23.2).

On 29 December 2015, the Bank of Portugal clarified that the Resolution Fund is responsible for neutralising, by way of payment of compensation to Novo Banco, any possible negative effects of future decisions arising from the resolution procedure, and which result in liabilities or contingencies for the bank. Considering the lack of judicial precedent in this regard, it is impossible to reliably estimate the potential contingent financial effect (see page 52, note 23.3).

As mentioned above, the sale of Novo Banco included the aforementioned contingent capital mechanism and the Resolution Fund accepted to retain 25 per cent. of Novo Banco's share capital.

The Resolution Fund has provided a guarantee in the amount of € 746 million over the bonds issued by Oitante S.A. With the aim of ensuring that the Fund will have the necessary financial resources at its disposal for the enforcement of this guarantee at the maturity date, in the event that Oitante, the principal debtor, defaults on its obligations, the Portuguese State has counter-guaranteed the abovementioned bond issue. In the last quarter of 2016, Oitante S.A. carried out early partial redemptions in the total amount of € 90 million, thereby reducing the amount of the guarantee provided by the Resolution Fund to € 656 million (see page 51, note 23.1).

The recognition and payment of costs by the Resolution Fund with respect to Novo Banco's sale process is under clarification. This may possibly result in the Resolution Fund incurring expenses of € 16.5 million (of which € 9.7 million refer to the years 2014 and 2015, and € 6.8 million refer to the year 2016) (see page 52, note 23.4). The costs with respect to 2017 are not included in the Resolution Fund 2016 Accounts, from which this information has been extracted.

In light of the foregoing, the final impact the resolutions of Banif and/or of BES, as described above, may have on the Issuer and the CGD Group cannot be anticipated.

CGD is required to make financial contributions under the EU single resolution mechanism

Council Regulation (EU) No. 1024/2013, of 15 October 2013, established the Single Supervisory Mechanism composed of the ECB and the national competent authorities (“**NCA**s”) of participating Member States. The Single Supervisory Mechanism is further regulated by Regulation (EU) No. 468/2014, of the ECB, of 16 April 2014. The ECB is responsible for the prudential supervision of credit institutions in the Euro area, with a view to contributing to the safety and soundness of credit institutions and the stability of the financial system within the EU and each Member State, with full regard and duty of care for the unity and integrity of the internal market. Regulation (EU) No. 806/2014, of the European Parliament and of the Council, of 15 July 2014, established uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms within the framework of a Single Resolution Mechanism (comprised of the Single Resolution Board and the national resolution authorities) and a Single Resolution Fund (the “**SRM Regulation**”).

Following the implementation of the Single Resolution Mechanism (a) the initial and periodic contributions from the participating institutions falling within the scope of the SRM Regulation have been transferred to the Single Resolution Fund (by reference to the date of the implementation of the BRRD in Portugal), and (b) contributions raised from such institutions after 1 January 2016 shall be transferred by the Bank of Portugal to the Single Resolution Fund. CGD is an institution falling within the scope of the SRM Regulation and is required to contribute to the Single Resolution Fund in accordance with the SRM Regulation and its implementing regulations. Any contributions made by CGD to the Resolution Fund after 1 January 2016 shall be made only for the purposes of funding the costs of any resolution measures applied until 31 December 2014.

If a resolution measure is applicable to any other institution established in Portugal falling within the scope of the SRM Regulation and the resources then available to the Single Resolution Fund are not sufficient to provide the financial assistance required by such resolution measure, CGD (and other participating institutions) may be required to make special contributions to the Single Resolution Fund, in an amount determined in accordance with the criteria set out in the SRM Regulation: the amount of these special contributions shall not in any event exceed three times the amount of the annual contributions to the Single Resolution Fund then required from the participating institutions. For 2017, CGD’s annual contribution to the Single Resolution Fund totalled €38,800,000. If payment of such special contributions affects the financial position of a participating institution, the board of the Single Resolution Mechanism may agree to suspend such payment of such participating institution for a period of up to 180 days, extendable at the request of the relevant participating institution.

The creation of a deposit protection system applicable throughout the EU may result in additional costs to CGD

On 3 July 2014 Directive 2014/49/EU, providing for the establishment of deposit guarantee schemes (the “**recast DGSD**”) introduced harmonised funding requirements (including risk-based levies), protection for certain types of temporary high balances, a reduction in pay-out deadlines, the harmonisation of eligibility categories (including an extension of scope to cover deposits by most companies, regardless of size) and new disclosure requirements, and the harmonisation of the deposit guarantee systems throughout the EU.

The recast DGSD was transposed in Portugal through Law no. 23-A/2015, of 27 March 2015, as amended from time to time.

Furthermore, a proposal for a Regulation of the European Parliament and of the Council, amending Regulation (EU) No. 806/2014 in order to establish a European Deposit Insurance Scheme, is currently under discussion at an EU level.

CGD may incur additional costs and liabilities as a result of these developments. The additional indirect costs of the deposit guarantee systems may also be significant, even if these are much lower than the direct contributions to the fund, as in the case of the costs associated with the provision of detailed information to clients about products, as well as compliance with specific regulations on advertising for deposits or other products similar to deposits, thus affecting the activity of the relevant banks and, consequently, also their business activities, financial condition and results of operations.

CGD's business is significantly affected by 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 great part of CGD's business. Adverse changes in the credit quality of CGD's borrowers and counterparties, a general deterioration in Portuguese or global economic conditions, or increased systemic risks in the financial systems, could affect the recovery and value of CGD's assets and require an increase in loan impairments and other impairments. Accordingly, CGD is subject to credit risk, i.e. the risk that CGD's clients and other counterparties are unable to fulfil their payment obligations.

CGD is exposed to many different counterparties in the normal course of its business, but its exposure to counterparties in the financial services industry is particularly 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 and investment banks. Many of these relationships expose CGD to credit risk in the event of default of a counterparty or client. In addition, CGD's credit risk may be exacerbated when the collateral it holds cannot be realised, or liquidated, at prices sufficient to recover, the full amount of the loan or derivative exposure it is due to cover. Many of the hedging and other risk management strategies utilised by CGD also involve transactions with financial services counterparties. The insolvency of these counterparties may impair the effectiveness of CGD's hedging and other risk management strategies, which could in turn have a material adverse effect on the CGD's financial condition and results of operations.

Although CGD regularly reviews its exposure to its clients and other counterparties, as well as its exposure to certain economic sectors and regions which CGD believes to be particularly critical, payment defaults may arise from events and circumstances that are unforeseeable or difficult to predict or detect. In addition, the collateral and security provided to CGD may be insufficient to cover the exposure or the obligations of others towards it, for example, due to sudden market declines that reduce the value of the collateral. Accordingly, if a major client or other significant counterparty were to default on its obligations, this could have a material adverse effect on CGD's financial condition and results of operations.

CGD actively manages credit risk and analyses credit transactions. Expectations about future credit losses may, however, be incorrect for a variety of reasons. An unexpected decline in general economic conditions,

unanticipated political events or a lack of liquidity in the economy may result in credit losses which exceed the amount of CGD's provisions or the maximum probable losses envisaged by its risk management models. As CGD's operations are mostly concentrated in Portugal, it is particularly exposed to the risk of a general economic downturn or other events which affect default rates in Portugal. An increase in CGD's impairment for loan losses or any loan losses in excess of these impairments could have a material adverse effect on CGD's financial condition and results of operations.

The level of NPLs remains high in the Portuguese banking system, presenting an average rate of 8.13 per cent. as at 30 June 2017 (according to the Bank of Portugal). In addition, as at 30 June 2017, NPLs in the corporate sector represented 14.60 per cent., in the consumer credit sector it was 5.50 per cent., and in the mortgage credit sector 2.20 per cent. This situation is expected to continue to have a negative impact on CGD's profitability.

As of 31 December 2015, the amount of credit impairments booked in its account decreased 0.6 per cent., as compared to the end of the previous year, from €5,230 million to €5,198 million; as of 31 December 2016, CGD reinforced the amount of credit impairments booked in its account by 8.4 per cent., as compared to the end of the previous year, from €5,198 million to €5,633 million; as of 30 June 2017, the amount of credit impairments booked in its account decreased 13.2 per cent., as compared to the 31 December 2016, from €5,633 million to €4,891 million. In the first semester of 2017, overdue loans (defined as those loans in default for more than 90 days) represented 7.2 per cent. of the total credit portfolio and the overdue loans coverage ratio (being the ratio between such overdue loans and the respective impairments) stood at 103.9 per cent..

The Issuer cannot assure potential investors that its level of provisions for possible impairments and other reserves will be adequate or that the Issuer will not have to take additional provisions for possible impairment losses in future periods. Amongst other aspects, failure by the Issuer to have an adequate level of provisions and other reserves or the Issuer's need to take additional provisions for possible impairment losses in future periods may have a material adverse effect on the Issuer's business activities, financial condition and results of operations.

Changes in the rules governing the accounting treatment of impairments and provisions may adversely impact CGD

The Bank of Portugal has established minimum provisioning requirements that apply to the individual accounts regarding current loans, non-performing loans, overdue loans, impairment for securities and equity holdings, sovereign risk and other contingencies. Any change in the applicable requirements, such as IFRS 9 or policies, including as a result of choices made by the Issuer, could have a material adverse effect on the results of operations of the Issuer. The adoption of IFRS 9 that replaces IAS39, changes the accounting treatment that applied to the consolidated financial statements. The Issuer already had in place an Impairment Model with similarities to IFRS 9, namely the three stages approach and the lifetime measurement for stage II and has now a compliant IFRS 9 model. The inclusion of the forward looking approach and changes to the assessment of significant credit risk deterioration, as per the regulation, could lead to an impact on the Issuer's business activities, financial condition or results of operations. The impact

is related to the potential increase in the value of provisions, and the higher sensitivity of the value of provisions based on the Issuer's assumptions on the future economical outcome.

Exposure to specialised funds in credit recovery

CGD has entered into a series of transactions through which it sold assets, namely credits to customers to funds specialised in credit recovery, in exchange for units of those funds.

In this type of specialised funds in credit recovery, CGD, as any other participant, does not have the possibility to request the reimbursement of its units during the life of the funds. On the other hand, there is no secondary market for these units which makes their sale unlikely.

These units are held by several banks in the market, which are the transferors of the credits, in percentages that vary throughout the life of the funds, but which require that no bank, individually, holds more than 50 per cent. of the fund at any time.

The funds have a specific management structure, entirely independent from the participant banks, whose purpose is to ensure the implementation of recovery measures of the assets.

The CGD Group has a total exposure to these specialised funds in credit recovery of €771.8 million as at 30 June 2017, with impairments totalling €240.5 million. Thus, the CGD Group's net exposure to specialised funds in credit recovery was €531.3 million, as at 30 June 2017.

A possible deterioration in the recovery expectations of the disposed credits to specialised funds in credit recovery may result in a devaluation of the Net Asset Value of the units held by CGD, which could require the establishment of additional impairments.

Credit concentration risks may adversely affect CGD

CGD has significant credit exposure to certain groups of clients. The CGD Group has a well-diversified loan portfolio, with the top 10 exposures representing 7.5 per cent., top 30 exposures representing 12.1 per cent. and top 100 exposures representing 18.3 per cent. of its loan portfolio and with no industry representing more than 32.6 per cent. of corporate loans (in each case, as at 30 June 2017). However, if any of these groups defaults, such defaults may lead to a material increase in impairment charges, which could have an adverse effect on CGD's results and asset quality.

CGD is exposed to the Portuguese real estate market

CGD is exposed to the Portuguese real estate market, either directly, through assets related to its operations or obtained in lieu of payments, or indirectly, through real estate that secure loans or by financing of real estate projects, which makes it vulnerable to any depression in the housing market. The CGD Group's loan portfolio, of which 65 per cent. is collateralised, has an average LTV in the mortgage portfolio of 64.1 per cent. (in each case, as at 30 June 2017). As of 31 December 2016, the amount of real estate assets held by CGD's pension fund totalled €431.7 million, representing 17.3 per cent. of the value of the pension fund's assets.

Any significant devaluation of Portuguese real estate market prices could result in impairment losses on the assets held directly by CGD, as well as on the assets held by CGD's pension fund, and cause a decrease in

the coverage of credit exposures of real estate collateral, as well as on the coverage of the pension fund's liabilities by its assets, thereby adversely affecting the financial condition and results of CGD.

The Issuer may be subject to an exception regime for the protection of mortgage lenders in serious economic failure

As a result of the economic environment in the recent past, non-performing loans have increased; the segment that experienced greater impact in this respect were residential mortgage loans.

In this context, legislation has been passed to facilitate the restructuring of mortgage loans, ensure a closer monitoring of potential default situations and implement measures aimed at avoiding immediate enforcement of mortgage loans. The implementation of any such legislative measures, and of any other regulatory or self-regulatory initiatives that may be passed in the future, could lead to limitations in the level of spreads and commissions charged, as well as to an increase in the Issuer's credit impairments. Any exception regime that may be adopted, including the possibility that any such rules may require that, in some cases, credit institutions will be obliged to accept the repossession of assets as a way to settle clients' debts, could have a material adverse effect on the Issuer's business activities, financial condition and results of operations.

CGD is exposed to risks associated with changes in interest rates, exchange rates, commodity prices, equity prices and other market risks

The most significant market risks faced by CGD are those related to interest rates, foreign exchange rates and bond and equity prices. 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 derived from foreign exchange dealings. The performance of financial markets may cause changes in the value of CGD's investment and trading portfolios. CGD has implemented risk management methods to mitigate and control these and other market risks to which CGD is exposed and exposures are constantly measured and monitored. However, it is difficult to predict changes in economic or market conditions with accuracy and to anticipate the effects that such changes could have on CGD's financial condition and results of operations.

CGD is exposed to the risks associated with the value of certain financial instruments being determined using financial models that incorporate assumptions, judgments and estimates that may change over time

CGD uses internally developed models to support some of its activities, including, but not limited to, scoring models used to assess clients' (individuals and corporates) capacity to repay loans granted by the Group. Even though CGD works continually to upgrade its internal models and to adapt them to constantly changing market conditions, these models do not exclude the possibility of CGD incurring losses associated with factors not foreseen or contemplated in the model's respective parameters or methodology.

The Issuer may generate lower revenues from commissions and fee-based businesses

Market downturns are likely to lead to declines in the volume of transactions that the Issuer executes for its customers and, therefore, to declines in the Issuer's non-interest revenues. In addition, because the fees that the Issuer charges for managing its clients' portfolios are in many cases based on the value or performance of those portfolios, a market downturn that reduces the value of the Issuer clients' portfolios

or increases the amount of withdrawals would reduce the revenues the Issuer receives from its asset management and private banking and custody businesses and have a material adverse effect on the Issuer's business activities, financial condition and results of operations. Additionally, regulatory or legislative bodies may pass laws or regulations restricting or conditioning the type and amount of commissions and fees chargeable by credit institutions to its customers, which can further reduce the Issuer's revenues from commissions and fees.

CGD is exposed to pension risk

CGD must pay retirement pensions due to sickness, disability or age of its employees, as well as the survival pensions of employees admitted as of 1 January 1992. Survival pensions of employees admitted prior to 1 January 1992 are paid by the Caixa Geral de Aposentações ("**CGA**"). For this effect, these employees pay 2.5 per cent. of their remuneration to CGA.

Additionally, according to the current Collective Work Agreement (*Acordo Coletivo de Trabalho Vertical* or "**ACTV**") for the banking sector, the former Banco Nacional Ultramarino ("**BNU**") undertook the commitment to pay its employees instalments on account of early retirement and for age, disability or survival related reasons. These instalments consisted of a percentage, which increased with the number of years worked, applied to the salary table that was negotiated annually with bank employee unions. In 2001, as a result of BNU's merger with CGD, the liabilities with respect to the pensions of BNU employees were transferred to CGD. Former BNU employees who were still active at the time of the merger were transferred to CGD's plan for pensions and other benefits. However, the BNU employees who were already retired and receiving pensions at the time of the merger continued to benefit from the pension plan that existed prior to their retirement.

As of 30 November 2004, CGD transferred to CGA all liabilities associated with the retirement pensions of its employees, with reference to the number of years worked until 31 December 2000, under Decree-Law no. 240-A/2004 of 29 December and Decree-Law no. 241-A/2004 of 30 December. The transfer included liabilities related with subsidies for death after normal retirement age, relative to the number of years worked, as referred above.

As a result, CGD's responsibilities with pensions as of 31 December 2016 were the following:

- Liabilities with respect to working employees for services rendered after 31 December 2000;
- For those retired between 1 January 2001 and 31 December 2016, the portion of liabilities corresponding to services rendered during that period;
- Liabilities for retirement and survival pensions of BNU employees, which were already being paid at the time of the merger; and
- Liabilities with respect to subsidies for death, relative to services rendered after 31 December 2000.

Pensions are a function of the number of years worked by employees and their respective contributions at the time of retirement, and are updated based on current retributions per working employee. CGD's pension plan is no longer applicable to current employees hired after 1 January 2006.

CGD annually reevaluates whether the actuary assumptions used in the calculation of liabilities remain

adequate. As of 31 December 2016, liabilities with retirement pensions amounted to €2,540.5 million. These liabilities were computed by an external actuary based on the following assumptions: a discount rate of 2.125 per cent. (for a duration of approximately 20 years), a salary growth rate of 1 per cent. and a pension growth rate of 0 per cent. for 2017 and of 0.5 per cent. for subsequent years. CGD ensures the necessary contributions to cover its pension liabilities through a pension fund that was established in December 1991. As at 31 December 2016, this pension fund had 14,066 beneficiaries.

As at 31 December 2016, the value of the pension fund's assets was €2,497.5 million, which includes an extraordinary contribution of €138.6 million corresponding to a coverage of 98.3 per cent. of pension related liabilities.

As a defined benefits plan, the nature of the CGD's contributions has two sources: (i) one related to the annual cost of working employees and (ii) extraordinary contributions resulting from actuarial or financial losses (e.g. mortality deviations, salary growth rate, discount rate).

The most significant factors contributing to an increase in contributions are the reduction of the discount rate (a reduction of 0.125 per cent. implies an increase of about €60.4 million in pension liabilities) and financial losses of the fund's assets related to adverse market conditions. In 2016, the fund registered a return of close to 0.89 per cent.

Another factor that may influence the levels of contributions is the mortality table used in the calculation of liabilities. CGD has adapted the mortality tables used in computing retirement pensions in order to adjust for life expectancy by gender. The deviation of the actuarial assumptions is revised annually.

In the event of a shortfall in its pension liabilities, CGD may be required or may choose to make additional payments to CGD's pension schemes which, depending on the amount, could have a material adverse effect on CGD's financial condition, results of operations and prospects.

CGD is exposed to IT, data protection, management of confidential/personal information and cybercrime risks

CGD's ability to remain competitive depends in part on its ability to upgrade CGD's information technology on a timely and cost-effective basis. CGD must continually make significant investments and improvements in its information technology infrastructure to remain competitive. Any failure to effectively improve or upgrade CGD's information technology infrastructure and management information systems in a timely manner could have a material adverse effect on CGD.

CGD's businesses depend on the ability to process a large number of transactions efficiently and accurately, and on the CGD's ability to rely on its digital technologies, computer and email services, software and networks, as well as on the secure processing, storage and transmission of confidential and other information in the CGD's computer systems and networks. Losses can result from inadequate personnel, inadequate or failed internal control processes and systems, or from external events that interrupt normal business operations. CGD takes protective measures and continually monitors and develops its systems to protect CGD's technology infrastructure and data from misappropriation or corruption. However, CGD's systems, software and networks may nevertheless be vulnerable to unauthorised access, misuse, computer viruses or other malicious code, and other events that could have an impact on security levels. An

interception, misuse or mishandling of personal, confidential or proprietary information sent to or received from a client, vendor, service provider, counterparty or third party could result in legal liability, regulatory action and reputational harm. There can be no assurance that CGD will not suffer material losses from operational risk in the future, including that relating to cyber-attacks or other such security breaches. Furthermore, as cyber-attacks continue to evolve, CGD may incur significant costs in its attempt to modify or enhance its protective measures or to investigate or remediate any vulnerabilities.

On 25 May 2018, the General Data Protection Regulation (Regulation (EU) No. 2016/679) becomes enforceable. Being a regulation, it is directly effective in all Member States without the need for the implementation of additional national legislation. The implementation and compliance with this regulation (and any additional national legislation passed in the context of the General Data Protection Regulation) is complex and entails significant costs and time, given that the General Data Protection Regulation introduces substantial and ambitious changes. Additionally, non-compliance with the General Data Protection Regulation may cause reputational damages and the application of very significant fines. The final impact on and costs arising for CGD from the implementation and compliance with the General Data Protection Regulation cannot be anticipated.

The Issuer's activity is subject to reputational risk

The Issuer is exposed to reputational risk understood as the probability of occurrence of negative impacts for the Issuer resulting from an unfavourable perception of its public image, whether proven or not, from customers, suppliers, analysts, employees, investors, media and any other bodies with which the Issuer may be related, or even by public opinion in general.

The Issuer continually monitors this risk by means of, among other things, policies that govern the devices and procedures that allow the Issuer: (i) to minimise the probability that reputational risk to occur; (ii) to identify, report to the Board of Directors of the Issuer and overcome situations that may involve this risk; (iii) to ensure follow up and control of any impacts of this risk; and (iv) to provide evidence, if necessary, that CGD has reputation risk amongst its main concerns and has available the organisation and means required to foresee acts and facts that may lead to this risk and, should it be the case, the ability to overcome it. In any event, the Issuer cannot assure potential investors that it will be able to foresee and mitigate the impacts of this risk if the same occurs and should that be the case any failure to execute the Issuer's reputational risk policies successfully could materially adversely affect the Issuer's business activities, financial condition and results of operations.

The auditors' reports scheduled to the audited consolidated financial statements of the Issuer in respect of the financial years ended 31 December 2015 and 31 December 2016 and the limited review report in respect of the first semester of 2017 contain emphases

The auditors' report scheduled to the audited consolidated financial statements of CGD in respect of the financial year ended 31 December 2015 contains the following emphasis:

"As explained in Note 41, at 31 December 2015 CGD was in compliance with the minimum capital requirements applicable to its operations, which include the regulatory minimum of 7% ("Common Equity Tier I"), as well as other capital reserves established by the European Central Bank, in its current legal

framework. Considering the increasing regulatory capital requirements, including the additional requirement of 1% as from 1 January 2017 announced by the Bank of Portugal in December 2015, CGD may need additional capital in 2016. The plans which in principle will be necessary for this will be analysed and subject to approval by the shareholder, the European Central Bank and the Directorate-General for Competition of the European Commission. The financial statements for the year ended 31 December 2015 were prepared in accordance with the applicable International Financial Reporting Standards, which take into account the current expectations and intentions of the Board of Directors regarding the management and future holding of Caixa's assets, namely in the determination of their impairment. In this respect, the financial statements referred to do not take into account the impact of changes in those expectations and intentions or other aspects which may result from measures to be implemented under the conditions that may be established for approval of the plans."

In order to comply with the increasing capital requirements, the Portuguese State, as the Issuer's sole shareholder, and the DG Comp approved the 2017 Recapitalisation Plan. For further information see – *Description of the Issuer – Recapitalisation Plan*.

The auditors' report scheduled to the audited consolidated financial statements of CGD in respect of the financial year ended 31 December 2016 contains the following emphasis:

"As explained in Note 1, in order to ensure compliance with the increasing regulatory capital requirements applicable to Caixa, the Portuguese Government, as sole shareholder, and the Directorate-General for Competition of the European Commission ("DGComp") approved in March 2017 a recapitalisation plan for Caixa ("Recapitalisation Plan").

The Recapitalisation Plan includes a strategic plan to be implemented by Caixa until the end of 2020, which sets out measures aimed at promoting its long-term profitability. These measures include, among other aspects, decreases in headcount and in the number of branches and the disposal or closing of some Group entities. In this context, on 31 December 2016 the Group's holding in Mercantile Bank Holdings Limited was classified in accordance with IFRS 5 – "Non-current Assets Held for Sale and Discontinued Operations", with an impairment of 18,000 thousand euros (Note 13) being recorded. Caixa's Management considered that the requirements set forth in the IFRS in order to record the other estimated costs related to the implementation of the strategic plan in the consolidated financial statements as of 31 December 2016 were not met.

Under the Recapitalisation Plan, Caixa's Management performed a review of the valuation for the main asset classes and high risk exposures ("Management Assessment of Asset Value" – MAAV), using the criteria and assumptions that a new significant private investor would use, as agreed with DGComp as a condition for not qualifying CGD's recapitalisation as state aid. In this context, in the quantification of impairment losses Caixa's Management considered several factors and assumptions, including its intentions regarding the future management of assets, namely of non-performing exposures ("npe"). A more accelerated divestment strategy was assumed for those exposures, which had impacts, among others, on the valuation of credit collateral and real estate repossessed through credit recovery and on the impairment for a set of loan exposures for which a sale perspective was assumed. In developing these estimates, Management also considered some of the criteria for the determination of impairment and classification of credits set out in

recent documents published by the European Central Bank and the European Banking Authority (“EBA”). The MAAV review and the changes in expectations, intentions and underlying assumptions contributed significantly to the amount of provisions and impairment losses for loans and other assets recorded in 2016, which totalled 3,016,942 thousand euros.

As described in Note 43, on 4 January 2017 Caixa’s share capital was increased by 1,444,144 thousand euros through the conversion of hybrid financial instruments eligible as Core Tier 1 capital and the delivery of shares representing 49% of the share capital Parcaixa, SGPS, S.A.. On 30 March 2017, the share capital was further increased by 2,500,000 thousand euros in cash, following the issuance of Additional Tier I securities in the amount of 500,000 thousand euros. These operations enabled Caixa to resume compliance with the capital requirements defined by the regulator, which was not occurring on 31 December 2016. Under the Recapitalisation Plan, Caixa shall also issue additional subordinated debt instruments amounting to 430,000 thousand euros within 18 months after the date of this first issue”.

CGD’s Recapitalisation Plan includes a strategic plan to be implemented between 2017 and 2020. The strategic plan builds upon four strategic pillars and includes a set of targets, validated by DG Comp. These targets relate to each of the four pillars and are described in more detail in the section "*Description of the Issuer – Strategic Plan*". CGD will work to achieve the proposed targets by implementing a set of initiatives described under each pillar. In case the defined targets are not achieved a new set of initiatives will have to be taken by CGD.

The limited review report in respect of the first semester of 2017 contains the following emphasis: “Without modifying our conclusion, we draw attention to the following situations:

- As described in Note 1 to the condensed consolidated financial statements, in March 2017, a recapitalisation plan for CGD was approved, based on a four year strategic plan (2017-2019), which comprised two phases of recapitalisation that were concluded on January 4, 2017 and March 30, 2017. These operations enabled the Group to comply with the regulatory capital requirements as at June 30, 2017. Additionally, in accordance with the recapitalisation plan, CGD will be required to issue additional subordinated debt instruments for an amount of 430,000 thousands euros by September 2018.
- The strategic plan foresees a set of restructuring measures to be implemented during the period 2017 to 2020. As described in Note 21 of the condensed consolidated financial statements, the provisions recorded as at June 30, 2017 for the partial execution of these measures amounts to 383,000 thousands euros.”

CGD is closely monitoring the implementation of the strategic plan, evaluating the necessity of additional measures in case the targets defined under this plan are not met.

CGD is subject to infrastructure risks

CGD faces the risk that computer or telecommunications systems could fail, despite its efforts to maintain these systems in good working order. Given the high volume of transactions CGD processes on a daily basis, certain errors may be repeated or compounded before they are discovered and successfully rectified. Shortcomings or failures of CGD's internal processes, employees or systems, including any of CGD’s financial,

accounting or other data processing systems, could lead to financial loss and damage to CGD's reputation. In addition, despite the contingency plans CGD has in place, CGD's ability to conduct business may be adversely affected by a disruption in the infrastructure that supports its operations and the communities in which it does business.

CGD is exposed to operational risks

In the course of its activities, CGD may face operational risks including, but not limited to, the risk of losses resulting from inadequacies or procedural faults, caused by persons and information systems, or due to external events. The operational risk management within CGD is based on analysis by processes (end-to-end) supported by a set of guidelines, methodologies and regulations recognised as good practice.

CGD has adopted, on a consolidated basis, the standard method in the calculation of own funds requirements.

According to the Standard Method and on a consolidated basis, own funds requirements to hedge operating risk was at €252 million as at 31 December 2016. Increases to this amount may have a negative impact on CGD's capital ratios.

CGD is subject to the risk that liquidity may not always be readily available; this risk is exacerbated by current conditions in global financial markets

Liquidity risk arises from the present or future inability to pay liabilities as they mature. Banks, principally by virtue of their business of providing long-term loans and receiving short-term deposits, are subject to liquidity risk. Over the last few years many banks have resorted to obtaining funds from market sources instead of from their traditional sources (retail deposits).

The maintenance of sufficient customer deposits to fund CGD's loan portfolio is subject to certain factors outside CGD's control, such as depositors' concerns relating to the economy in general, the financial services industry or CGD in particular, ratings downgrades (including any downgrade of other financial institutions or the Republic of Portugal), significant further deterioration in economic conditions in the Republic of Portugal and the existence and extent of deposit guarantees. Any of these factors, on their own or combined, could lead to a reduction in CGD's ability to access customer deposit funding on appropriate terms in the future and could result in deposit outflows, both of which would have an impact on CGD's ability to fund its operations and meet its minimum liquidity requirements, and may require CGD to increase its use of sources other than deposits, if available, to fund its loan portfolio.

CGD's liquidity could also be impaired by an inability to access debt markets, to sell assets or redeem its investments, as well as other outflows of cash or collateral deterioration. These situations may arise due to circumstances that CGD is unable to control, such as continued general market disruption, loss in confidence in the financial markets, uncertainty and speculation regarding the solvency of market participants, credit rating downgrades or operational problems that affect third parties. Access to the financial markets has been limited since the 2007 disruptions in the credit markets. Funding in the interbank markets or via the capital markets has been very difficult, especially since 2010, for banks from EU periphery economies. Even a perception among market participants that a financial institution is experiencing greater liquidity risk can cause significant damage to the institution.

CGD also holds an investment portfolio which has a material exposure to Portuguese government bonds, other sovereign and corporate bonds and equity. Such investment portfolio may fluctuate in value and have a materially negative impact on the Issuer's capital position.

CGD also borrows from the ECB. Thus, any adverse change to the ECB's lending policy or any changes to the funding requirements set by the ECB, including changes to collateral requirements (particularly those with retroactive effects), could significantly affect CGD's results of operations, business and financial condition.

The ECB establishes the valuation and eligibility criteria that eligible securities must meet in order to be used on repo transactions with financial institutions. Downgrades of Portugal's credit rating or of Portuguese companies, or changes to the alluded valuations or eligibility criteria, can have a negative impact on the portfolio of securities eligible for that purpose and reduce the liquidity lines available from the ECB. Additionally, downgrades of Portugal's credit rating or of Portuguese companies can result in an increase in haircuts to any eligible collateral or in the non-eligibility of such assets, thereby decreasing the total amount of eligible portfolio. As the Portuguese Government elected not to negotiate a precautionary programme at the end of the Adjustment Programme, the eligibility of Portuguese public debt will depend on the maintenance of an "investment grade" rating by at least one rating agency. Until recently, DBRS was the only rating agency that attributed an "investment grade" rating to Portugal. As of the date hereof, three rating agencies attribute "investment grade" rating to Portugal (DBRS, S&P and Fitch). If Portugal fails to have at least one "investment grade" rating attributed, this would result in the non-eligibility of Portuguese public debt for financing with the ECB.

The curtailment or termination of liquidity operations by the ECB, including the end of the ECB's longer-term refinancing operations programme without a substitute or transitional measure, would force CGD to substitute its financing with the ECB with alternative sources of funding which may only be available, if at all, at unfavourable conditions or force CGD to dispose of its assets, potentially with a high discount to their book values, in order to comply with its obligations and could significantly increase its funding costs.

In March 2016, in pursuing its price stability mandate, the ECB announced additional measures in addition to the cut of its main refinancing rate from 0.05 per cent. to 0.00 per cent. and the change of the deposit facility rate for banks from minus 0.20 per cent. to minus 0.40 per cent., the ECB also announced three major decisions:

- launch of a new series of targeted longer-term refinancing operations ("**TLTRO II**"), starting in June 2016, each with a maturity of four years. Banks participating in TLTRO-II can borrow an amount up to 30 per cent. of their outstanding loans to businesses and consumers;
- expand the monthly purchases under the asset purchase programme ("**APP**") from EUR 60 billion to EUR 80 billion as well as increase the issuer and issue share limits for the purchases of securities issued by eligible international organisations and multilateral development banks from 33 per cent. to 50 per cent.. As of 2 January 2017, the APP was further amended. In addition to the extension of the programme, the following parameters will be adjusted
 - the maturity range of the public sector purchase programme ("**PSPP**") will be broadened by decreasing the minimum remaining maturity for eligible securities from two years to one year;

- purchases of securities under the APP with a yield to maturity below the interest rate on the ECB's deposit facility will be permitted to the extent necessary. The implementation details will be worked out by the relevant committees;
- include investment-grade euro denominated bonds issued by non-bank corporations established in the euro area in the list of assets that are eligible for regular purchases under a new corporate sector purchase programme ("**CSPP**").

In December 2016, the ECB announced it would continue its APP until year-end 2016, at the least, but would scale back the monthly amount of purchases to EUR 60 billion from April 2017 onwards.

On 26 October 2017 the ECB's Governing Council decided that net purchases would be reduced from the monthly pace of €60 billion to a new monthly pace of €30 billion from January 2018 until the end of September 2018. The intention is for securities purchases to be carried out until the Governing Council sees a sustained adjustment in the path of inflation that is consistent with its aim of achieving inflation rates below, but close to, 2% over the medium term.

Although CGD puts significant efforts in its liquidity risk management and focuses on maintaining a liquidity surplus in the short term, CGD is exposed to the general risk of liquidity shortfalls and cannot ensure that the procedures in place to manage such risks will be suitable to eliminate liquidity risk.

The international financial markets crisis may affect CGD's business

Several constraints and challenges remain in the Euro Area. Some of these may result from political factors and other geopolitical developments. In addition to the uncertainties surrounding the United Kingdom's exit from the European Union following the referendum of 23 June 2016, which saw the country vote to leave the European Union, the outcome of elections held in other EU countries in 2017 and scheduled for 2018 may have unpredictable consequences in the international financial markets. The possibility of terrorist attacks may also disrupt international financial markets for undetermined periods of time. CGD's activities and funding ability may therefore be affected by such developments.

United Kingdom's Exit from the European Union

On 23 June 2016, the United Kingdom (the "**UK**") held the UK referendum, the result of such referendum's vote was to leave the EU, which creates several uncertainties within the UK, and regarding its relationship with the EU. On 29 March 2017, the UK served notice in accordance with article 50 of the Treaty on European Union of its intention to withdraw from the EU. The notification of withdrawal started a two-year process during which the terms of the UK's exit will be negotiated, although this period may be extended in certain circumstances.

The result and the resulting negotiations are likely to generate further increased volatility in the markets and economic uncertainty which could adversely affect one or more of the parties involved in the issue of the Covered Bonds (including the Issuer). Until the terms and timing of the UK's exit from the EU are confirmed, it is not possible to determine the full impact that the referendum, the UK's departure from the

EU and/or any related matters may have on general economic conditions in the UK.

Given the current uncertainties and the range of possible outcomes, no assurance can be given as to the impact of any of the matters described above and no assurance can be given that such matters would not adversely affect the rights of the Holders of the Covered Bonds, the market value of the Covered Bonds and/or the ability of the Issuer to satisfy its obligations under the Covered Bonds.

Litigation and Conduct risks

CGD faces various issues that may give rise to the risk of loss from legal and regulatory proceedings. These issues include appropriately dealing with potential conflicts of interest, legal, and regulatory requirements, ethical issues, and conduct by companies in which CGD holds strategic investments or joint venture partnerships, which could increase the number of litigation claims and the amount of damages asserted against CGD, or subject CGD to regulatory enforcement actions, fines and penalties. Any material legal proceedings, or publicity surrounding such legal or regulatory proceedings, may adversely impact on CGD's business, reputation and results of operations.

The Issuer's relationship with the Dealers and their ongoing investment and trading activities

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.

Risks Specific to the Covered Bonds

Portuguese Mortgage Covered Bonds Legislation has not yet been judicially challenged

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.

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;
- thoroughly understand 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.

Extended Maturity of the Covered Bonds will not result in any right of the holders to accelerate payments on those Covered Bonds or constitute an event of default for any purpose

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 complemented by the applicable Final Terms.

Benefit of special creditor privilege (*privilégio creditório*) available not only to the holders of a Series

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 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. 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.

The value of and return on any Covered Bonds linked to a benchmark may be adversely affected by ongoing national and international regulatory reform in relation to benchmarks

So-called benchmarks such as the Euro Interbank Offered Rate (“**EURIBOR**”) and other indices which are deemed “benchmarks” (each a “**Benchmark**” and together, the “**Benchmarks**”), to which the interest on securities may be linked, have become the subject of regulatory scrutiny and recent national and international regulatory guidance and proposals for reform. Some of these reforms are already effective while others are still to be implemented. These reforms may cause the relevant benchmarks to perform differently than in the past, or have other consequences which may have a material adverse effect on the value of and the amount payable under the Covered Bonds.

International proposals for reform of Benchmarks include the European Council’s Regulation (EU) 2016/1011 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds (the “**Benchmark Regulation**”) which was published in the Official Journal on 29th June, 2016. In addition to the aforementioned regulation, there are numerous other proposals, initiatives and investigations which may impact Benchmarks.

Pursuant to article 20 of the Benchmark Regulation and to Regulation (UE) 2016/1368, Euribor has been considered a critical benchmark, and it is therefore subject to mandatory administration, in accordance with article 21 of the Benchmark Regulation. Accordingly, the administrator of Euribor shall be part of the register of benchmark administrators referred to in article 36 of the Benchmark Regulation.

Any changes to a Benchmark as a result of the Benchmark Regulation or other initiatives, could have a material adverse effect on the costs of refinancing a Benchmark or the costs and risks of administering or otherwise participating in the setting of a Benchmark and complying with any such regulations or requirements. Such factors may have the effect of discouraging market participants from continuing to administer or participate in certain Benchmarks, trigger changes in the rules or methodologies used in certain Benchmarks or lead to the disappearance of certain Benchmarks, which may impact the value of and the amount payable under the Covered Bonds as compared to the situation where such factors would be absent.

The London Interbank Offered Rate (“**LIBOR**”), EURIBOR and other interest rate or other types of rates and indices which are deemed to be “benchmarks” are the subject of ongoing national and international regulatory reform. Following the implementation of any such potential reforms, the manner of administration of benchmarks may change, with the result that they may perform differently than in the past, or benchmarks could be eliminated entirely, or there could be other consequences which cannot be

predicted.

For example, on 27th July, 2017, the UK Financial Conduct Authority announced that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021 (the “**FCA Announcement**”). The FCA Announcement indicates that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. The potential elimination of the LIBOR benchmark or any other benchmark, or changes in the manner of administration of any benchmark, could require an adjustment to the terms and conditions, or result in other consequences, in respect of any Covered Bonds linked to such benchmark (including but not limited to Floating Rate Covered Bonds whose interest rates are linked to LIBOR). Any such consequence could have a material adverse effect on the value of and return on any such Covered Bonds.

Implementation of legislation relating to taxation could have a material adverse effect on Covered Bonds

Potential purchasers and sellers of the Covered Bonds should be aware that they may be required to pay taxes or documentary charges or duties in accordance with the laws and practices of the jurisdiction where the Covered Bonds are transferred or other jurisdictions. In some jurisdictions, no official statements of the tax authorities or court decisions may be available for financial instruments such as the Covered Bonds. Potential investors are advised not to rely upon the tax section contained in this Prospectus but should ask for their own tax adviser’s advice on their individual taxation with respect to the acquisition, holding, disposal and redemption of the Covered Bonds. Only these advisors are in a position to duly consider the specific situation of the potential investor. This investment consideration has to be read in connection with the taxation sections of this Prospectus.

Mandatory Automatic Exchange of Information could have a material adverse effect on Covered Bonds

EC Council Directive 2003/48/EC on the taxation of savings income (the “**EU Savings Directive**”), required EU Member States to provide to the tax authorities of other EU Member States details of payments of interest and other similar income paid or secured by a person established within its jurisdiction to (or for the benefit of) an individual or certain other persons in another Member State. A number of non-EU countries and certain dependent or associated territories of certain Member States have agreed to adopt similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident in a Member State. In addition, Member States had entered into reciprocal provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident in one of those territories.

Meanwhile, further measures in the field of information exchange were adopted at the EU-level, namely with the approval by the European Council Directive no. 2014/107/EU of 9 December 2014, which amended EU Council Directive no. 2011/16/EU (the “**Administrative Cooperation Directive**”) to extend the mandatory automatic exchange of information to a wider range of income, including financial income, in line with the Standard for Automatic Exchange of Financial Account Information in Tax Matters issued by Organization

for Economic Co-operation and Development in July 2014 and with the bilateral exchange agreements between the United States of America and several other countries to implement the United States' Foreign Account Tax Compliance Act ("**FATCA**").

On 10 November 2015, the European Council approved Directive no. 2015/2060, repealing the EU Savings Directive with effect from 1 January 2016 (and from 1 January 2017 in case of Austria), though certain provisions will continue to apply for a transitional period. The repeal of the EU Savings Directive aimed at preventing overlap between the EU Savings Directive and the new automatic exchange of information regime to be implemented under the Administrative Cooperation Directive (as amended by EU Council Directive no. 2014/107/EU).

Portugal has implemented the EU Savings Directive into Portuguese law through Decree-Law no. 62/2005, of 11 March 2005, as amended. Accordingly, it is expected that Decree-Law no. 62/2005, of 11 March 2005, will be revoked.

Portugal has implemented the Administrative Cooperation Directive (as amended by the EU Council Directive no. 2014/107/EU) into Portuguese law through Decree-Law no. 64/2016, of 11 October 2016 ("**Portuguese CRS Law**"), which has introduced amendments to the Decree-Law no. 61/2013, of 10 May, in this regard. Under the Portuguese CRS Law, the first exchange of information was due by 31 July 2017 for information related to the calendar year 2016. For calendar year 2017 and the subsequent years, exchange of information is due by 31 July 2018 and 31 July of the following years.

Prospective investors resident in Portugal should consult their own legal or tax advisers regarding the consequences of the Administrative Cooperation Directive and the FATCA regulations in their particular circumstances.

Covered Bonds may be subject to Financial Transaction Tax ("FTT**")**

On 14 February 2013, the European Commission adopted a proposal (the "Commission's Proposal") for a Directive on a common FTT in Austria, Belgium, Estonia, France, Germany, Greece, Italy, Portugal, Spain, Slovakia and Slovenia (the "Participating Member States"). However, Estonia has since stated that it will not participate.

A joint statement issued on 6 May 2014 by the Participating Member States (other than Slovenia) indicated their intention to implement the FTT progressively, initially applying only to transactions involving shares and certain derivatives. A further joint statement issued on 27 January 2015 by the Participating Member States (other than Greece) stated, amongst other points, that the FTT should be based on the principle of the widest possible base and low rates. Both statements indicated an intention to implement the FTT by 1 January 2016. However, full details are not available. The FTT, as initially implemented on this basis, may not apply to dealings in Covered Bonds.

Furthermore, the Portuguese Government has been granted with an authorization from the Portuguese Parliament (in the State Budget Law for 2013, in the State Budget Law for 2014 and in the State Budget Law for 2015) to create the FTT. However, the authorization was granted before the proposal for a Directive for a common financial transaction tax being approved and it is not expected that the FTT is created in Portugal before the above-mentioned Directive is approved and then enters into force.

The proposed FTT proposal remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation, the timing and scope of which remains uncertain. Additional EU Member States may decide to participate. Prospective holders of Covered Bonds are advised to seek their own professional advice in relation to the FTT.

Changes in regulatory US Foreign Account Tax Compliance Withholding can affect adversely Covered Bonds

Sections 1471 through 1474 of FATCA impose a new reporting regime and, potentially, a 30 per cent. withholding tax with respect to (i) certain payments from sources within the United States, (ii) “foreign passthru payments” made to certain non-US financial institutions that do not comply with this new reporting regime, and (iii) payments to certain investors that do not provide identification information with respect to interests issued by a participating non-US financial institution. Whilst the Covered Bonds are held within the CSD, it is not expected that FATCA will affect the amount of any payment received by the clearing systems. However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA) and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. The Issuer’s obligations under the Covered Bonds are discharged once it has paid the CSD and the Issuer has therefore no responsibility for any amount thereafter transmitted through the CSD and custodians or intermediaries. Prospective investors should refer to the section *Taxation – Foreign Account Tax Compliance Act*.

Judicial decision and change of law may impact after the date of issue of the relevant Covered Bonds

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 assurances can be given as to the impact of any possible judicial decision or of any change to Portuguese law, including to the Covered Bonds Law, the Bank of Portugal regulations, or administrative or judicial practice after the date of issue of the relevant Covered Bonds.

The lack of a profitable secondary market

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 would generally 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.

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 from time to time, 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 Base 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 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.

Risks Specific to Cover Pool

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 and other eligible assets 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*.

The inclusion in the Cover Pool of other eligible assets and Hedging Contracts under the Covered Bonds Law

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*. The inclusion of other eligible assets and hedging contracts as mentioned above can impact the performance of the Cover Pool, and the value of and amounts ultimately payable under the Covered Bonds, as compared to a situation where no such inclusion was made, or was made at different levels.

The Issuer's entitlement to enter into Hedging Contracts

Hedging contracts can be entered into exclusively to hedge risks such as interest rate risk, exchange rate risk and liquidity risk. The Issuer is entitled but not required to enter into hedging contracts under the Covered Bonds Law, including if the Covered Bonds and the Cover Pool are denominated in different currencies, in which case the Issuer may hedge any exchange rate risk coverage. See *Characteristics of the Cover Pool—Hedging Contracts*. The entering into of hedging contracts, or the absence of entering into of hedging contracts, where the Issuer is entitled to enter into the same, can impact the performance of the Cover Pool, and the value of and amounts ultimately payable under the Covered Bonds, as compared to a situation where the opposite decision has been taken by the Issuer.

The variable value of security over residential property

The holders of Covered Bonds benefit from a special creditor privilege (*privilegio 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*. Notwithstanding, the variation of the value of mortgaged properties that are securing mortgage credits that are part of the Cover Pool, can impact the performance of the Cover Pool, and the value of and amounts ultimately payable under the Covered Bonds.

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. If the Issuer is not able to properly include or substitute assets as aforesaid, this may cause the Issuer not comply with the financial matching requirements under the Covered Bonds Law and can impact the performance of the Cover Pool, and the value of and amounts ultimately payable under the Covered Bonds.

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. If such representations and warranties are inaccurate in any way, this may impact the quality of the Cover Pool, which secures the payments of amounts due under Covered Bonds.

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.

Reliance upon Interbolsa procedures and Portuguese law

Investments in Covered Bonds held through Interbolsa will be subject to Interbolsa procedures and Portuguese law with respect to the following:

a) Form and Transfer of the Covered Bonds

Covered Bonds will be represented in dematerialised book-entry form (*forma escritural*) and in registered form (*nominativas*)

Covered Bonds will be registered in the relevant issue account opened by the Issuer with Interbolsa and will be held in control accounts by the Affiliate Members of Interbolsa on behalf of the relevant

holders. Such control accounts will reflect at all times the aggregate number of Covered Bonds held in the individual securities accounts opened by the clients of the Affiliate Members of Interbolsa (which may include Euroclear and Clearstream, Luxembourg). The transfer of Covered Bonds and their beneficial interests will be made through Interbolsa.

b) Payments on Covered Bonds

All payments on Covered Bonds (including without limitation the payment of accrued interest, coupons and principal) will be (i) made by the Issuer to the Agent, (ii) transferred, in accordance with the procedures and regulations of Interbolsa, from the account held by the Agent with the Bank of Portugal to the accounts of the Affiliate Members of Interbolsa who hold control accounts on behalf of the holders of Covered Bonds and, thereafter, (iii) transferred by the Affiliate Members of Interbolsa from their accounts to the accounts of their clients (which may include Euroclear Bank and Clearstream, Luxembourg).

The holders of Covered Bonds must rely on the procedures of Interbolsa to receive payment under the Covered Bonds. The records relating to payments made in respect of beneficial interests in the Covered Bonds are maintained by the Affiliate Members of Interbolsa and the Issuer accepts no responsibility for, and will not be liable in respect of, the maintenance of such records.

c) Risks related to withholding tax applicable on the Covered Bonds

Pursuant to Decree-law no. 193/2005, of 7 November 2005 (“**Decree-law 193/2005**”), as amended from time to time, investment income paid to non-resident holders of Covered Bonds, and capital gains derived from a sale or other disposition of such Bonds, will be exempt from Portuguese income tax only if certain procedures and documentation requirements are duly complied with.

Failure to comply with these procedures and documentation will result in the application of the Portuguese domestic withholding rate of 25 per cent. (in case of legal persons), of 28 per cent. (in case of individuals). It should also be noted that, if interest and other types of investment income derived from the Covered Bonds are paid or made available (colocado à disposição) to accounts in the name of one or more accountholders acting on behalf of undisclosed entities (e.g., typically “jumbo” accounts) such income will be subject to withholding tax in Portugal at a rate of 35 per cent. unless the beneficial owner of the income is disclosed. Reduced withholding tax rates (to which a 5, 10, 12 or 15 per cent rate may apply) may be applicable, pursuant to tax treaties signed by Portugal, provided the procedures and documentation requirements established by the relevant tax treaty are complied with.

Further, interest and other types of investment income obtained by non-resident holders (individuals or legal persons) without a Portuguese permanent establishment to which the income is attributable that are domiciled in a country included in the “tax havens” list approved by Ministerial Order no. 150/2004, of 13 February 2004 (as amended from time to time) is subject to withholding tax at 35 per cent., which is the final tax on that income (except where Decree-law 193/2005 applies, the procedures and documentation requirements are complied with and the beneficiary is domiciled in a listed tax haven which has a double tax treaty in force or a tax information exchange agreement

with Portugal).

The Issuer will not gross up payments in respect of any such withholding tax in case the conditions described in detail in Taxation below are not fully met, including failure to deliver or incorrect filling of the adequate documents to evidence the non resident status . Accordingly, holders of Covered Bonds must seek their own advice to ensure that they comply with all procedures to ensure correct tax treatment of their Covered Bonds.

d) Risks related to procedures for collection of investors details

It is expected that the direct registering entities (*entidades registadoras directas*), the participants and the clearing systems will follow certain procedures to facilitate the collection from the effective beneficiaries of the Covered Bonds of the information required to comply with the procedures and documentation required by Decree-Law 193/2005. Under Decree-Law 193/2005, the obligation of collecting from the holders of Covered Bonds proof of their non-Portuguese resident status and of the accomplishment with the other requirements for the exemption rests with the direct registering entities (*entidades registadoras directas*) the participants and the entities managing the international clearing systems. A summary of those procedures is set out in "Taxation". Such procedures and documentation may be revised from time to time in accordance with applicable Portuguese laws and regulations, further clarification from the Portuguese tax authorities regarding such laws and regulations and the operational procedures of the clearing systems. While the Covered Bonds are registered by Interbolsa, or by an applicable international clearing system under Decree-Law 193/2005, holders of Covered Bonds must rely on and comply with such procedures in order to receive payments under the Covered Bonds free of any withholding, if applicable. Holders of Covered Bonds must seek their own advice to ensure that they comply with all applicable procedures and to ensure the correct tax treatment of their Covered Bonds. None of the Issuer, the Arrangers, the Dealers, the paying agents and the direct registering entities (*entidades registadoras directas*), or the clearing systems, their management entities or participants, assume any responsibility in this regard.

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. 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 applicable 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.

This Base Prospectus will be valid for a period of 12 months from the date this Base Prospectus is approved by the Comissão do Mercado de Valores Mobiliários (completed by any supplement which may be required under article 142 of the Portuguese Securities Code) 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, and Directive 2014/65/EU of the European Parliament and the Council, of 15 May 2014, as amended, 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; and
- (b) 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.

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 (as amended by Regulation (EU) No. 513/2011 of the European Parliament and the Council, by Regulation (EU) No. 462/2013 of the European Parliament and the Council and by Regulation (EU) 2017/2402 of the European Parliament and the Council the “**CRA Regulation**”).

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.

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.

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 (i) 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, (ii) 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, (iii) 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, (iv) understand thoroughly the terms of the relevant Covered Bonds and be familiar with the behaviour of any relevant indices and financial markets, and (v) 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.

OVERVIEW OF THE COVERED BONDS PROGRAMME

The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Base Prospectus and, in relation to the terms and conditions of any particular Tranche of Covered Bonds, the applicable Final Terms. The Issuer and any relevant Dealer may agree that Covered Bonds shall be issued in a form other than that contemplated in the Terms and Conditions, in which event, in the case of listed Covered Bonds, a new Base Prospectus will be published.

This overview cannot be considered a Summary of this Base Prospectus, constituting only a general description of the Programme for the purposes of Article 22.5(3) of Commission Regulation (EC) No. 809/2004 implementing the Prospectus Directive.

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

Description: Covered Bonds Programme.

Programme Size: Up to €15,000,000,000 (or its equivalent in other currencies, all calculated as described under *General Description of the Programme*) 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.

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.

Issuer: Caixa Geral de Depósitos, S.A. (*see Description of the Issuer*).

The Issuer is a State owned public limited liability company incorporated under the laws of Portugal (*sociedade anónima de capitais exclusivamente públicos*) 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 €3,844,143,735.

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.

Auditor:	The Issuer's auditor is Ernst & Young Audit & Associados, SROC, S.A., member of the Portuguese Institute of Statutory Auditors (<i>Ordem dos Revisores Oficiais de Contas</i>) with registration number 178, registered with the CMVM with registration number 20161480, with registered office at Avenida da República, no. 90, 6, 1600-206, Lisboa.
Arranger:	Barclays Bank PLC.
Co-Arranger:	Caixa – Banco de Investimento, S.A. (together with the Arranger, the "Arrangers").
Dealers:	Banco Bilbao Vizcaya Argentaria, S.A., Barclays Bank PLC, Bayerische Landesbank, BNP Paribas, , Caixa – Banco de Investimento, S.A., Citigroup Global Markets Limited, Commerzbank Aktiengesellschaft, Crédit Agricole Corporate and Investment Bank, Credit Suisse Securities (Europe) Limited, Deutsche Bank Aktiengesellschaft, DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main, HSBC France, J.P. Morgan Securities plc, Mediobanca – Banca di Credito Finanziario S.p.A., Merrill Lynch International, Morgan Stanley & Co. International plc, Natixis, 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.
Common Representative:	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.

Agent:	Caixa Geral de Depósitos, S.A., in its capacity as Agent, with head office at Av. João XXI, no. 63, 1000-300 Lisboa.
Paying Agent:	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.
Cover Pool Monitor:	Ernst & Young Audit & Associados, SROC, S.A., member of the Portuguese Institute of Statutory Auditors (<i>Ordem dos Revisores Oficiais de Contas</i>) with registration number 178, registered with the CMVM with registration number 20161480, with registered office at Avenida da República, no. 90, 6, 1600-206, Lisboa. <i>See Cover Pool Monitor.</i>
Accounts Bank:	Caixa Geral de Depósitos, S.A., in its capacity as Accounts Bank, with head office at Av. João XXI, no. 63, 1000-300 Lisboa.
Hedge Counterparties:	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.
Risk Factors:	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> above 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, possible rating downgrades of Portugal and its impact on funding of the economy and on the Issuer's activity 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> above and include, <i>inter alia</i> , the fact that no judicial decision exists with respect to 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.

Distribution:	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. See <i>Subscription and Sale and Secondary Market Arrangements</i> .
Certain Restrictions:	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> .
Currencies:	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).
Redenomination:	The applicable Final Terms may provide that certain Covered Bonds not denominated in euro on issue may be redenominated in euro.
Ratings:	<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 “CRA Regulation”), as amended.</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>
Listing and Admission to Trading:	This document dated 18 January 2018 has been approved by the CMVM as a base prospectus and application was made to Euronext for the admission of Covered Bonds issued under the Programme to trading on the regulated market Euronext Lisbon (“ Euronext Lisbon ”). It is not currently intended by the Issuer to passport this Prospectus to other jurisdictions under the Prospectus Directive rules.

Selling Restrictions:	There are restrictions on the offer, sale and transfer of the Covered Bonds in the United States, Japan, the EEA (including Italy, Portugal and the United Kingdom and EEA retail investors) as set out in <i>Subscription and Sale and Secondary Market Arrangements</i> 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 account or 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. See <i>Subscription and Sale and Secondary Market Arrangements</i> .
Use Of Proceeds:	Proceeds from the issue of Covered Bonds will be used by the Issuer to support its business in the terms permitted by the Covered Bonds Law.
Status of the Covered Bonds:	The Covered Bonds will constitute direct, unconditional, unsubordinated and secured obligations of the Issuer and will rank <i>pari passu</i> 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 <i>pari passu</i> 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 <i>Characteristics of the Cover Pool</i> .
Terms and Conditions of the Covered Bonds:	Final Terms will be prepared in respect of each Tranche of Covered Bonds, supplementing the Terms and Conditions of the Covered Bonds set out in <i>Terms and Conditions of the Covered Bonds</i> .
Clearing Systems:	Interbolsa, and Euroclear, and/or Clearstream, Luxembourg, (together the " Clearing Systems " and, each, a " Clearing System "). See <i>Form of the Covered Bonds and Interbolsa</i> .

Form of the Covered Bonds:	The Covered Bonds are held through Interbolsa and will be in book-entry (<i>forma escritural</i>) and registered form (<i>nominativas</i>), 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 so held through Interbolsa. See <i>Form of the Covered Bonds and Interbolsa</i> .
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 <i>Extended Maturity Date</i> .
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 <i>Terms and Conditions of the Covered Bonds</i> .
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
- on such other basis as may be agreed between the Issuer and the relevant Dealer(s), as set out in the applicable Final Terms.

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.

Zero Coupon Covered Bonds:

Zero Coupon Covered Bonds may be offered and sold at a discount to their nominal amount unless otherwise specified in the applicable Final Terms.

Redemption:

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 *The Covered Bonds Law*), 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 *Extended Maturity Date*.

Extended Maturity Date:

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.

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.

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.

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, or Floating Rate Covered Bonds in respect of the period from the Issue Date to (and including) the Maturity Date;
- (b) Fixed Interest Covered Bonds or Floating Rate 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 not lower than €100,000 (or its equivalent in another currency) as specified in the relevant Final Terms, unless the Covered Bonds will not be distributed to the public or admitted to trading on a regulated market, in which case lower denominations per unit may apply.

Taxation of the Covered Bonds:

All payments in respect of the Covered Bonds will be made subject to any legally applicable Tax withholding or deductions (notably in relation to residents for tax purposes in Portugal), except if any Tax withholding exemption or waiver applies, in which case such payments of principal and interest in respect of the Covered Bonds shall be made free and clear of, and without withholding or deduction for, Taxes (investors being in any case required to comply with the applicable obligations). The Issuer will not be obliged to make any additional payments in respect of any such withholding or deduction imposed. 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 licensed under 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. In addition, the CMVM is the competent authority to supervise the public offers or approval of prospectus in accordance with the Covered Bonds Law and the Portuguese Securities Code. 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, including any non-contractual obligations arising out of, or in connection with, the Covered Bonds or the Programme are governed by, and will be construed in accordance with, Portuguese Law.

RESPONSIBILITY STATEMENTS

In respect of the Issuer, this Base Prospectus comprises a base prospectus for the purposes of Article 26 of the Prospectus Regulation and Article 135-C 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 and the Covered Bonds 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 of the former Audit Committee and the Statutory Auditor of the Issuer (see *Board of Directors, General Meeting, Supervisory Board, Audit Committee and Statutory Auditor of CGD*) are responsible 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 all such responsible persons 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.

Deloitte & Associados – SROC, S.A., registered with the CMVM with number 20161389, with registered office at Av. Engenheiro Duarte Pacheco, 7, 1070-100 Lisbon, as external auditor of the Issuer for the years ended 31 December 2015 and 31 December 2016, has audited the financial statements of the Issuer for such financial years ended 31 December 2015 and 31 December 2016 as the then external auditor of the Issuer and is therefore responsible for the Auditor's Reports on these financial periods, which are incorporated by reference in this Base Prospectus (see *Documents Incorporated by Reference* and *General Information*). Deloitte & Associados – SROC, S.A. hereby declares, to the best of its knowledge (having taken all reasonable care to ensure that such is the case), that such Auditors Reports as of their dates are in accordance with the facts and do not omit anything likely to affect its import. No representation, warranty or undertaking, expressed or implied, is made and no responsibility or liability is accepted by Deloitte & Associados – SROC, S.A. as to the accuracy or completeness of any information contained in this Base Prospectus (other than for the above mentioned Auditor's Report).

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 Area (the “EEA”) (including, among other countries, 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.

To the fullest extent permitted by law, none of the Arrangers or Dealers accept responsibility whatsoever for the contents of this Prospectus or for any other statement, made or purported to be made by any of the Arrangers or Dealers or on its behalf in connection with the Issuer or the issue and offering of Covered Bonds. Each Arranger and each Dealer accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Prospectus or any such statement and shall not be responsible for, or for investigating, any matter which is the subject of, any statement, representation, warranty or covenant of the Issuer contained in the Prospectus or the Covered Bonds, or any other agreement or document relating to the Covered Bonds, or for the execution, legality, effectiveness, adequacy, genuineness, validity, enforceability or admissibility in evidence thereof.

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. .

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 pursuant to the Treaty on the Functioning of the EU, 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.

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 English version of the audited consolidated financial statements of the Issuer in respect of the financial years ended 31 December 2015 and 31 December 2016, in each case together with the auditors' reports prepared in connection therewith, available at www.cmvm.pt;
- (b) The English version of the unaudited consolidated financial statements of the Issuer for the first semester of 2017, available at www.cmvm.pt;
- (c) The English version of the unaudited financial results of the Issuer for the first nine months of 2017, available at www.cmvm.pt;
- (d) the Terms and Conditions of the Covered Bonds contained in the Base Prospectus dated 11 December 2015, relating to this Programme, available at www.cmvm.pt.

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 of the 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 English language documents incorporated by reference in this Base Prospectus 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.

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 INTERBOLSA

The Covered Bonds will be held through a central securities depository (“CSD”) which will be the Portuguese domestic CSD, 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”).

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of Interbolsa currently in effect. The information in this section concerning Interbolsa 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 Interbolsa are advised to confirm the continued applicability of its rules, regulations and procedures. 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 Interbolsa or for maintaining, supervising or reviewing any records relating to such interests.

Interbolsa holds securities for its participants and facilitates the clearance and settlement of securities transactions by electronic book-entry transfer between their respective participants. Interbolsa provides various services including safekeeping, administration, clearance and settlement of domestically and internationally traded securities and securities lending and borrowing.

The address of Interbolsa is Avenida da Boavista, 3433, 4100-138 Porto, Portugal.

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.

General

Interbolsa manages a centralised system (*sistema centralizado*) composed of 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

The Covered Bonds of each Series will be in book-entry form (*forma escritural*) 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 will be registered Covered Bonds (*nominativas*).

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.

Registering the Covered Bonds with Interbolsa does not necessary 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, as such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.

Payment of principal and interest in respect of Covered Bonds

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) transferred, according to the procedures and regulations of Interbolsa, from the TARGET2 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 TARGET2 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.

The Paying Agent notifies Interbolsa of the amounts to be paid for payments to be processed in accordance with Interbolsa procedures and regulations.

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

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.

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 [●]

[PROHIBITION OF SALES TO EEA RETAIL INVESTORS]

The Covered Bonds are not intended to be offered, sold or otherwise made available to (and should not be offered, sold or otherwise made available to) any retail investor in the European Economic Area (the “EEA”). For these purposes, a retail investor means a person who is one (or more) of: (a) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (“MiFID II”), (b) a customer within the meaning of Directive 2002/92/EC, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II, or (c) not a qualified investor as defined in Directive 2003/71/EC (as amended, the “Prospectus Directive”). Consequently, no key information document required by Regulation (EU) No. 1286/2014 (the “PRIIPs Regulation”) for offering or selling the Covered Bonds or otherwise making them available to retail investors in the EEA has been prepared and, therefore, offering or selling the Covered Bonds or otherwise making them available to any retail investor in the EEA might be unlawful under the PRIIPs Regulation.]¹

[MIFID II PRODUCT GOVERNANCE]

Solely for the purposes of [the/each] manufacturer’s product approval process, the target market assessment in respect of the Covered Bonds has led to the conclusion that: (i) the target market for the Covered Bonds is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, “MiFID II”); and (ii) all channels for distribution of the Covered Bonds to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Covered Bonds (a “distributor”) should take into consideration the manufacturer[’s/s’] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Covered Bonds (by either adopting or refining the manufacturer[’s/s’] target market assessment) and determining appropriate distribution channels.]²

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 NO. 59/2006, OF 20 MARCH 2006 (THE “COVERED BONDS LAW”). THE ISSUER HAS THE

¹ Legend to be included on front of the Final Terms if the Covered Bonds potentially constitute “packaged” products or the Issuer wishes to prohibit offers to EEA retail investors for any other reason, in which case the selling restriction should be specified to be “Applicable”.

² Legend do be included on front of the Final Terms, to outline the product approval process of any applicable manufacturer.

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 18 January 2018, [and the supplement dated [●]] which [together] constitute[s] 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 of the European Parliament and of the Council of 24 November 2010, to the extent that such amendments have been implemented in the relevant Member State), the Commission Regulation (EC) No 809/2004, as amended (the “**Prospectus Regulation**”) and the Portuguese Securities Code (approved by Decree-Law no. 486/99 of 13 November, as amended, the “**Portuguese Securities Code**”). This document constitutes the Final Terms of the Covered Bonds described herein for the purposes of Article 135-C.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 and 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 dated [11 December 2015].]

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 [11 December 2015] which is incorporated by reference in the Base Prospectus dated 18 January 2018 [and the supplement dated [●]] (the “**Base Prospectus**”), which [together] constitute[s] 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 of the European Parliament and of the Council of 24 November 2010, to the extent that such amendments have been implemented in the relevant Member State), the Commission Regulation (EC) No 809/2004, as amended (the “**Prospectus Regulation**”) and the Portuguese Securities Code (approved by Decree-Law no. 486/99 of 13 November, as amended, the “**Portuguese Securities Code**”). This document constitutes the Final Terms of the Covered Bonds described herein for the purposes of Article 135-C.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, 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 [11 December 2015] 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 such Terms and Conditions, these Final Terms and the Base Prospectus dated 11 December 2015. The Base Prospectus [as supplemented] is available for viewing at

Caixa Geral de Depósitos, S.A., Av. João XXI, no. 63, 1000-300, Lisbon, Portugal, and copies may be obtained from the same address. A copy of the Base Prospectus [and any supplements thereto] [is] [are] available for viewing at www.cmvm.pt and www.cgd.pt].

[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 sub-paragraphs. 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 | (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> |
| 2 | Specified Currency or Currencies: | [●] |
| 3 | (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] |
| 4 | (i) Issue Price: | [●] per cent. of the Aggregate Nominal Amount [plus accrued interest from <i>[insert date]</i> (<i>in the case of fungible issues only, if applicable</i>)] |
| | (ii) [Net Proceeds
(Required only for listed issues)] | [●]] |

- 5 Specified Denominations: [●] *[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 (or its equivalent in other currencies)]*
- 6 (i) Issue Date: [●]
- (ii) Interest Commencement Date: *[specify if different from the Issue Date/Issue Date/Not Applicable]*
- 7 Maturity Date: *[specify date or (for Floating Rate Covered Bonds) Interest Payment Date falling in or nearest to the relevant month and year]*
- 8 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]*
- 9 Interest Basis:
- (i) Period to (and including) Maturity Date: [Fixed Rate Covered Bonds]
- [●] per cent. Fixed Rate]
- [Floating Rate Covered Bonds]
- [[Euribor / Libor] +/- Margin]
- Margin = [●] per cent.]
- [Zero Coupon]
- (further particulars specified below)

	(ii) Period from (but excluding) Maturity Date up to (and including) Extended Maturity Date:	<p>[Not Applicable] /</p> <p>[[●] per cent. Fixed Rate]</p> <p>[Euribor / Libor] +/- Margin</p> <p>Margin = [●] per cent.]</p> <p>(further particulars specified below)</p> <p>[Insert "Not Applicable" only if Extended Maturity Date does not apply]</p>
10	Redemption/Payment Basis:	<p>[Redemption at par]</p> <p>[Instalment]</p>
11	Change of Interest or Redemption/Payment Basis:	<i>[Specify details of any provision for convertibility of Covered Bonds into another interest or redemption/payment basis]</i>
12	Put/Call Options:	<p>[Investor Put]</p> <p>[Issuer Call]</p> <p>[(further particulars specified below)]</p>
13	(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]:	[●]
14	Method of distribution:	[Syndicated/Non-syndicated]
15	Listing/Admission to Regulated Market	[Euronext Lisbon/ <i>specify other</i> /None]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

16 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

• From Maturity Date up to Extended Maturity Date: [Not Applicable] [[●] in each month up to and including the Extended Maturity Date]

[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] <i>[[●] per [●] in nominal amount]</i> <i>[State “Not Applicable” unless Extended Maturity Date applies and the Covered Bonds are Fixed Rate Covered Bonds after the Maturity Date.]</i>
(iv) Broken Amount:	
• To Maturity Date:	<i>[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]</i>
• From Maturity Date up to Extended Maturity Date:	<i>[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]</i> <i>[State “Not Applicable” unless Extended Maturity Date applies and the Covered Bonds are Fixed Rate Covered Bonds after the Maturity Date.]</i>
(v) Day Count Fraction:	
• To Maturity Date:	[30/360 or Actual/Actual (ICMA)]
• From Maturity Date up to Extended Maturity Date:	<i>[Not Applicable] [30/360 or Actual/Actual (ICMA)]</i> <i>[State “Not Applicable” unless Extended Maturity Date applies and the Covered Bonds are Fixed Rate Covered Bonds after the Maturity Date.]</i>
(vi) Determination Date(s):	
• To Maturity Date:	<i>[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]</i>

	<ul style="list-style-type: none"> • From Maturity Date up to Extended Maturity Date: 	<p>[Not Applicable] <i>[Insert day(s) and month(s) on which interest is normally paid (if more than one, then insert such dates in the alternative)]</i> in each year</p> <p><i>[State "Not Applicable" unless Extended Maturity Date applies and the Covered Bonds are Fixed Rate Covered Bonds after the Maturity Date.]</i></p>
	(vii) Other terms relating to the method of calculating interest for Fixed Rate Covered Bonds:	[None/give details]
17	Floating Rate Covered Bonds Provisions	
	<ul style="list-style-type: none"> • To Maturity Date: 	<p>[Applicable/Not Applicable] <i>(If not applicable, delete the remaining subparagraphs of this paragraph.)</i></p>
	<ul style="list-style-type: none"> • From Maturity Date up to Extended Maturity Date: 	<p>[Applicable/Not Applicable] <i>(If not applicable, delete the remaining subparagraphs of this paragraph.)</i></p> <p><i>[State "Not Applicable" unless Extended Maturity Date applies and the Covered Bonds are Floating Rate Covered Bonds after the Maturity Date.]</i></p>
	(i) Specified Period(s)/Specified Interest Payment Dates:	
	<ul style="list-style-type: none"> • To Maturity Date: 	[●]
	<ul style="list-style-type: none"> • From Maturity Date up to Extended Maturity Date: 	<p>[Not Applicable]/[●]</p> <p><i>[State "Not Applicable" unless Extended Maturity Date applies and the Covered Bonds are Floating Rate Covered Bonds after the Maturity Date.]</i></p>
	(ii) Business Day Convention:	
	<ul style="list-style-type: none"> • To Maturity Date: 	[Floating Rate Convention/ Following Business Day Convention/ Modified Following Business Day Convention/Preceding Business Day Convention]

<ul style="list-style-type: none"> • From Maturity Date up to Extended Maturity Date: 	<p>[Not Applicable]/[Floating Rate Convention/ Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention] <i>[State “Not Applicable” unless Extended Maturity Date applies and the Covered Bonds are Floating Rate Covered Bonds after the Maturity Date.]</i></p>
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(iii) Additional Business Centre(s):

<ul style="list-style-type: none"> • To Maturity Date: 	<p>[●]</p>
<ul style="list-style-type: none"> • From Maturity Date up to Extended Maturity Date: 	<p>[Not Applicable]/ [●] <i>[State “Not Applicable” unless Extended Maturity Date applies and the Covered Bonds are Floating Rate Covered Bonds after the Maturity Date.]</i></p>

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

<ul style="list-style-type: none"> • To Maturity Date: 	<p>[Screen Rate Determination/ISDA Determination]</p>
<ul style="list-style-type: none"> • From Maturity Date up to Extended Maturity Date: 	<p>[Not Applicable]/ [Screen Rate Determination/ISDA Determination] <i>[State “Not Applicable” unless Extended Maturity Date applies and the Covered Bonds are Floating Rate Covered Bonds after the Maturity Date.]</i></p>

(v) Party responsible for calculating the Rate of Interest and Interest Amount:

<ul style="list-style-type: none"> • To Maturity Date: 	<p>[Caixa Geral de Depósitos, S.A. / [●]] <i>[Elect and fill-in the second alternative only if a Calculation Agent has been appointed other than the Agent]</i></p>
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<ul style="list-style-type: none"> • From Maturity Date up to Extended Maturity Date: 	<p>[Not Applicable]/ Caixa Geral de Depósitos, S.A./ [●]</p> <p><i>[State “Not Applicable” unless Extended Maturity Date applies and the Covered Bonds are Floating Rate Covered Bonds after the Maturity Date, in which case the last alternative shall be elected and filled-in if a Calculation Agent has been appointed other than the Agent]</i></p>
(vi) Screen Rate Determination:	
A.To Maturity Date:	
<ul style="list-style-type: none"> • Reference Rate: 	[●]
<ul style="list-style-type: none"> • Interest Determination Date: 	[●] <i>(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 TARGET2 System is open prior to the start of each Interest Period if Euribor or euro LIBOR)</i>
<ul style="list-style-type: none"> • Relevant Screen Page: 	[●] <i>(in the case of Euribor, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions accordingly)</i>
B. From Maturity Date up to Extended Maturity Date:	
	<p>[Not Applicable]</p> <p><i>[State “Not Applicable” unless Extended Maturity Date applies and the Covered Bonds are Floating Rate Covered Bonds after the Maturity Date.]</i></p>
<ul style="list-style-type: none"> • Reference Rate: 	[●]
<ul style="list-style-type: none"> • Interest Determination Date: 	[●] <i>(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 TARGET2 System is open prior to the start of each Interest Period if Euribor or euro LIBOR)</i>

- Relevant Screen Page: [●] *(in the case of Euribor, if not Reuters EURIBOR01 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]
(see Condition 4 (*Interest*) for alternatives)
- From Maturity Date up to Extended Maturity Date: [Not Applicable]/
[Actual/365
Actual/365 (Fixed)
Actual/365 (Sterling)
Actual/360
30/360
30E/360] (see Condition 4 (*Interest*) for alternatives)
[*State “Not Applicable” unless Extended Maturity Date applies and the Covered Bonds are Floating Rate Covered Bonds after the Maturity Date.*]

(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:

- To Maturity Date [●]

<ul style="list-style-type: none"> • From Maturity Date up to Extended Maturity Date: 	[Not Applicable]/ [●] <i>[State "Not Applicable" unless Extended Maturity Date applies and the Covered Bonds are Floating Rate Covered Bonds after the Maturity Date.]</i>
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18	Zero Coupon Covered Bonds Provisions	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining subparagraphs of this paragraph)</i>
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(i)Accrual Yield:	[●] per cent. per annum
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(ii)Reference Price:	[●]
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(iii)Any other formula/basis of determining amount payable:	[●]
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(iv)Day Count Fraction in relation to late payment:	[Condition 5.5 applies] <i>(consider applicable day count fraction if not U.S. dollar denominated)</i>
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PROVISIONS RELATING TO REDEMPTION

19	Call Option	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining subparagraphs of this paragraph)</i>
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(i)Optional Redemption Date(s):	[●]
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(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
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(iii)If redeemable in part:	
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(a)Minimum Redemption Amount:	[●]
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(b)Maximum Redemption Amount:	[●]
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	(iv) Notice period (if other than as set out in the Terms and Conditions):	[●] <i>(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)</i>
20	Put Option	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining subparagraphs of this paragraph)</i>
	(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:	[●] <i>(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)</i>
21	Final Redemption Amount of each Covered Bond:	[[●] per Covered Bond of [●] Specified Denomination] <i>(NB—Final Redemption Amount must be equal to or higher than the Specified Denomination)</i>
22	[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

23	Form of Covered Bonds:	Book-Entry form (<i>forma escritural</i>) Registered (<i>nominativas</i>) Covered Bonds
24	Additional Financial Centre(s) or other special provisions relating to Payment Dates:	[Not Applicable/ <i>give details</i>] (<i>Note that this item relates to the place of payment and not Interest Period end dates to which item 17 (iii) relates</i>)
25	Details relating to Instalment Covered Bonds:	
	(i) Instalment Amount(s):	[Not Applicable/ <i>give details</i>]
	(ii) Instalment Date(s):	[Not Applicable/ <i>give details</i>]
26	Redenomination applicable:	[Applicable/Not Applicable] (<i>if Redenomination is applicable, specify the terms of the redenomination in an Annex to the Final Terms</i>)
27	Other final terms:	[Not Applicable/ <i>give details</i>] (<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

28	(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>if applicable, please include names, period and other relevant information</i>]
	(iii) Commission Payable / Selling Concession:	[●]
29	If non-syndicated, name of relevant Dealer:	[Not Applicable/ <i>give name and date of relevant agreement</i>]

- | | | |
|----|--|--|
| 30 | Additional selling restrictions: | [Not Applicable/ <i>give details</i>] |
| 31 | Prohibition of Sales to EEA Retail Investors | [Applicable/Not Applicable]

<i>(If the offered Covered Bonds clearly do not constitute “packaged” products, “Not Applicable” should be specified. If the offered Covered Bonds may constitute “packaged” products and no KIID will be prepared, “Applicable” should be specified)</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 is responsible 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 and 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.)
- (ii) Estimate of total expenses related to admission to trading: [●]

2. Ratings

- Ratings: The Covered Bonds to be issued have been rated:

[Moody's: [●]]

[Fitch: [●]]

[DBRS: [●]] [/[●]:[●]]
- (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, as amended, 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, as amended.]*
- [[Insert credit rating agency] is not established in the European Union and is not registered in accordance with Regulation (EC) no.1060/2009, as amended.]*

[[Insert credit rating agency] is not established in the European Union and has not applied for registration under Regulation (EC) no. 1060/2009 as amended. However, the application for registration under Regulation (EC) no. 1060/2009, as amended, 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, as amended. 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, as amended.] [[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, as amended.]

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

3. [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]*

4. Reasons for the Offer, Estimated Net Proceeds (Issue Price minus the fees payable to the Dealers) and Estimated Total Expenses (the total expenses relating to admission to trading and the fees payable to the Dealers)

[(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

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.

(In the case of Floating Rate Covered Bonds, the relevant calculation method and assumptions therefore should be included.)

7. Operational Information

ISIN Code: ☐

Common Code: ☐

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 ☐ [Yes] ☐ [No]

Eurosystem eligibility:

[Note that the designation “yes” simply means that the Covered Bonds are intended upon issue to be 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 above]

TERMS AND CONDITIONS OF THE COVERED BONDS

The following are the Terms and Conditions of the Covered Bonds. The applicable Final Terms in relation to any Tranche of Covered Bonds will detail the following Terms and Conditions for the purpose of such Covered Bonds. 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).

References herein to the Covered Bonds shall be references to the Covered Bonds of this Series and shall mean the book-entries corresponding to the units of the lowest Specified Denomination in the Specified Currency.

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.

Any reference to “**holders of Covered Bonds**” shall mean the person or entity registered as such in the relevant securities' account.

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 the Paying Agents. Copies of the applicable Final Terms are obtainable at the CMVM's website - www.cmvm.pt – and during normal business hours at the specified office of the Paying Agent save that, if these Covered Bonds are unlisted, the applicable Final Terms will only be obtainable at the specified office of the Paying Agent by a holder holding one or more unlisted Covered Bonds, such holder must produce evidence satisfactory to the Issuer and the Paying Agent as to its holding of such Covered Bonds and identity. The Covered Bonds holders 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;
- (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) (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 or destroyed and in respect of which replacements have been issued under these Terms and Conditions;

1. FORM, DENOMINATION AND TITLE

The Covered Bonds are in registered (*nominativas*) form and in the Specified Currency and the Specified Denomination(s) as specified in the applicable Final Terms. Covered Bonds of one Specified Denomination may not be exchanged for Covered Bonds of another Specified Denomination.

The Covered Bonds held through Interbolsa will be in book-entry form (*forma escritural*) 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.

This Covered Bond may be a Fixed Rate Covered Bond, a Floating Rate Covered Bond or a Zero Coupon Covered Bond, depending upon the Interest Basis shown 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 or Floating Rate Covered Bonds or a Zero

Coupon Covered Bonds in respect of the period from the Issue Date to and including the Maturity Date and Fixed Rate Covered Bonds or Floating Rate 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 a denomination per unit not lower than €100,000 (or its equivalent in another currency), as specified in the relevant Final Terms, unless the Covered Bonds will not be distributed to the public or admitted to trading on a regulated market, in which case lower denominations per unit may apply.

2. TRANSFERS OF COVERED BONDS

The transferability of the Covered Bonds is not restricted.

Covered Bonds 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.

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 and any interest thereon 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

(A) Interest Payment Dates

Each Floating Rate Covered Bond 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 TARGET2 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, provided that (as set out below and detailed in the relevant Final Terms) the relevant Rate of Interest will be equal to the relevant reference rate (which will be the "ISDA Rate", "Euribor" or "Libor" as defined below) plus or minus (as the case may be) the relevant Margin, provided that the Rate of Interest for a given Interest Period will be deemed zero per cent. if the relevant reference rate plus or minus the relevant Margin calculated for such Interest Period corresponds to a negative rate.

- (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 Eurozone 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.

If, for the purposes of the calculations described above, the Relevant Screen Page is not available or if no offered quotations appear thereon, the Agent or, where the applicable Final Terms specifies a Calculation Agent, the Calculation Agent so specified shall request each of the Reference Banks to provide it with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately the above specified time on the Interest Determination Date (as specified in the applicable Final Terms) in question. If two or more of the Reference Banks provide it with such offered quotations, the Rate of Interest for such Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place with 0.000005 being rounded upwards) of such offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Agent or, where the applicable Final Terms specifies a Calculation Agent, the Calculation Agent.

If on any Interest Determination Date, one only or none of the Reference Banks provides the Agent or, where the applicable Final Terms specifies a Calculation Agent, the Calculation Agent with such offered quotations as provided in the preceding paragraph, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Agent or, where the applicable Final Terms specifies a Calculation Agent, the Calculation Agent determines as being the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the rates, as communicated to (and at the request of) the Agent or, where the applicable Final Terms specifies

a Calculation Agent, the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered, at approximately the above specified time on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in the London inter-bank market (if the Reference Rate is LIBOR) or the Eurozone inter-bank market (if the Reference Rate is EURIBOR) plus or minus (as appropriate) the Margin (if any) or, if fewer than two of the Reference Banks provide the Agent or, where the applicable Final Terms specifies a Calculation Agent, the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean (rounded as provided above) of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, at approximately the above specified time on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for such purpose) informs the Agent or, where the applicable Final Terms specifies a Calculation Agent, the Calculation Agent it is quoting to leading banks in the London inter-bank market (if the Reference Rate is LIBOR) or the Eurozone inter-bank market (if the Reference Rate is EURIBOR) plus or minus (as appropriate) the Margin (if any), provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined on the Interest Determination Date for the last preceding Interest Period (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period, in place of the Margin relating to that last preceding Interest Period).

For the purposes of the two preceding paragraphs, “**Reference Banks**” means those banks whose offered rates were used to determine such quotation when such quotation last appeared on the Relevant Screen Page or, if applicable, those banks whose offered quotations last appeared on the Relevant Screen Page when no fewer than three such offered quotations appeared.

(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 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 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, any 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 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 Interbolsa 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

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.

Payment in respect of the Covered Bonds of principal and interest (i) in Euros will be (a) transferred, according to the procedures and regulations of Interbolsa, from the TARGET2 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 TARGET2 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 Payment Day

If the date for payment of any amount in respect of any Covered Bond 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 TARGET2 System is open,

provided that such a day is 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 TARGET2 system is open).

5.4 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, the nominal amount of all outstanding Covered Bonds will be redeemed proportionally.

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, at any time during normal business hours of such Paying Agent, 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 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. 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 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 for cancellation.

6.6 Cancellation

All Covered Bonds which are redeemed will forthwith be cancelled. All Covered Bonds so cancelled and any Covered Bonds purchased and surrendered for cancellation pursuant to Condition 6.5 above shall be cancelled by Interbolsa 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 any 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 will be made subject to any legally applicable Tax withholding or deductions (notably in relation to residents for tax purposes in Portugal), except if any Tax withholding exemption or waiver applies, in which case such payments of principal and interest in respect of the Covered Bonds shall be made free and clear of, and without withholding or deduction for, Taxes (investors being in any case required to comply with the applicable obligations). The Issuer will not be obliged to make any additional payments in respect of any such withholding or deduction imposed. In order for withholding tax not to apply the holders of the Covered Bonds must, *inter alia*, deliver certain tax certifications. See *Taxation* section.

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 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, as amended, Decree-law no. 298/92 of 31 December 1992, as amended, 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, as amended). 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 AND PAYING AGENT

(A) The names of the Agent and the Paying Agent 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 and/or appoint additional or any other Paying Agents and/or approve any change in the specified office through which any Paying Agent acts, provided that:

- (i) there will at all times be an Agent;
- (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.

11. NOTICES

Notices to the holders of Covered Bonds shall, in respect of the Covered Bonds listed on Euronext Lisbon, be published on the Euronext Lisbon bulletin (if applicable) and on the CMVM's information system (www.cmvm.pt). Furthermore, any such notice shall be disclosed by any further means required to allow a fast access by all holders of Covered Bonds throughout the European Union and 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.

All notices regarding the Covered Bonds shall comply with the applicable Portuguese law requirements, namely CMVM Regulation no. 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 holders of the Covered Bonds of the relevant Series, whatever the Principal Amount Outstanding of the Covered Bonds then outstanding so held or represented in such Series; or (ii) a Resolution regarding a Reserved Matter of the Covered Bonds (other than a Resolution for the purposes described in item (iii)), will be any person or persons holding or representing at least 50 per cent. of the Principal Amount Outstanding of the Covered Bonds of the relevant Series then outstanding or, at any adjourned meeting, any person being or representing holders of Covered Bonds of the relevant Series, whatever the Principal Amount Outstanding of the Covered Bonds then outstanding so held or represented in such Series; or (iii) a Resolution regarding any increase of the charges to the holders of the Covered Bonds will be any person or persons holding or representing 100 per cent. of the Covered Bonds of the relevant Series then outstanding. Each Covered Bond grants its holder 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 (other than a Resolution for the purposes described in item (iii)), 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; or (iii) if in respect of a Resolution regarding any increase of the charges to the holders of the Covered Bonds, any person or persons holding or representing 100 per cent. of the Covered Bonds of the relevant Series then outstanding.

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; (vi) to amend this definition; (vii) to increase charges that are required to be supported by the holders of the Covered Bonds of a relevant Series in accordance with the Programme Documentation and applicable law; or (viii) any other matter required by law to be approved by the majorities set out in the first paragraph of Condition 12 (C)(ii);

(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

Should any Covered Bond be lost 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 is registered 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.

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 Regulatory Notices) 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 Regulatory Notices (in particular Regulatory Notice 5/2006 and Regulatory Notice 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:

“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, and/or agent bank 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 Regulatory Notices” means the secondary legislation passed by the Bank of Portugal over time regulating certain aspects of the Covered Bonds Law, namely Regulatory Notice 5/2006, Regulatory Notice 6/2006, Instruction 13/2006 and Regulatory Notice 8/2006 and any relevant regulatory notices or instructions that may be issued by the Bank of Portugal in the future.

“Base Prospectus” means this base prospectus dated 18 January 2018, as supplemented, prepared in connection with the Programme.

“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 Market 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.

“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 Ernst & Young Audit & Associados, SROC, S.A., member of the Portuguese Institute of Statutory Auditors (*Ordem dos Revisores Oficiais de Contas*) with registration number 178, registered with the CMVM with registration number 20161480, with registered office at Avenida da República, no. 90, 6, 1600-206, 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 2006.

“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.

“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 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 sovereign bonds 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 agent 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 Regulatory Notice 5/2006; and
- (b) the amount determined by resorting to the use of adequate and recognised indexes or statistical methods, whenever an independent valuation of the Property is not required pursuant to the Covered Bonds Law and Regulatory Notice 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).

“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 Regulatory Notices.

“Regulatory Notice 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.

“Regulatory Notice 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.

“Regulatory Notice 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, 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.

“TARGET2 Day” means any day on which the TARGET2 System is open.

“TARGET2 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 (TARGET2).

“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 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 Regulatory Notices (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 ECB 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 Regulatory Notices.

The Issuer undertakes that on any Business Day the Other Assets include assets specified under (a) above corresponding to sovereign bonds 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 and DBRS 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) recognised 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 may 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 may 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.

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 ECB 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 Regulatory Notices 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 "**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 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 Regulatory Notice 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 Regulatory Notice 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 Regulatory Notice 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 Regulatory Notice 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 Regulatory Notice 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 Regulatory Notices;
- (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 Regulatory Notice 5/2006 relating to the valuation of the Properties securing the Mortgage Credits comprised in the Cover Pool.

Valuation of Other Assets

Pursuant to Regulatory Notice 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.

In accordance with the foregoing, there is one single cover pool to the benefit of all holders of covered bonds issued by the same issuer and the Covered Bonds Law and the Bank of Portugal regulatory notices provide for a number of requirements and criteria (inter alia, on portfolio ratios and composition, real estate valuations and value allocation), which need to be mandatorily complied with by any of issuer of covered bonds, to the benefit of such holders. The Bank of Portugal supervises the issuance of covered bonds and, in accordance with its Instruction 13/2006, is notified in advance of any issue of covered bonds and of the additional assets to be allocated to the cover pool for such purpose.

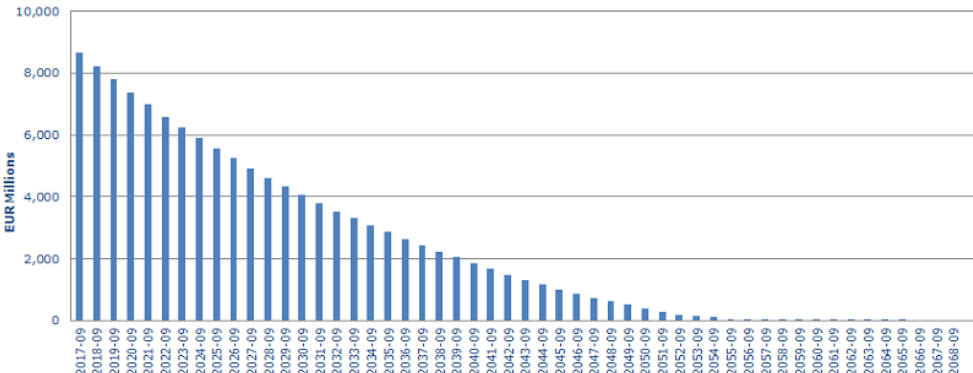
INFORMATION ON THE COVER POOL

The Issuer publishes quarterly investor reports on the outstanding Covered Bonds, including information on the Cover Pool and the applicable Overcollateralisation. Such reports are available at:

<https://www.cgd.pt/English/Investor-Relations/Debt-Issuances/Prospectus/Pages/CGD-Covered-Bonds.aspx> The following information could be found on the 30 September 2017 Investor Report:

2. Covered Bonds Issues	Issue Date	Coupon	Maturity Date	Soft Bullet Date ¹	Remaining Term	Nominal Amount
Covered Bonds Outstanding					3,17	5.270.000.000
Syndicated Covered Bonds Issues						
Series 15 (ISIN PTCGHUOE0015)	2013-01-18	Fixed Rate	2018-01-18	2019-01-18	0,30	750.000.000
Series 16 (ISIN PTCGHAOE0019)	2014-01-15	Fixed Rate	2019-01-15	2020-01-15	1,29	750.000.000
Series 10 (ISIN PTCGZYOE0001)	2010-01-27	Fixed Rate	2020-01-27	2021-01-27	2,33	1.000.000.000
Series 17 (ISIN PTCGH1OE0014)	2015-01-27	Fixed Rate	2022-01-27	2023-01-27	4,33	1.000.000.000
Private Placements Covered Bonds Issues						
Series 4 (ISIN PTCGFD1E0019)	2007-06-28	FRN	2022-06-28	2023-06-28	4,75	250.000.000
Series 14 (ISIN PTCGH0OE0013)	2012-07-31	FRN	2022-07-31	2023-07-31	4,84	1.500.000.000
Series 8 (ISIN PTCGFH1E0010)	2008-10-01	Fixed Rate	2038-10-01	2039-10-01	21,02	20.000.000
CRD Compliant (Yes/No)						Yes
3. Asset Cover Test					Remaining Term	Nominal Amount
Mortgage Credit Pool					22,32	8.672.776.171
Other Assets² (Deposits and Securities at market value)					4,30	119.225.250
Cash and Deposits					0,00	0,00
RMBS					0,00	0,00
Other securities ³					4,30	119.225.250
Total Cover Pool					22,08	8.792.001.421
% of Other Assets in Cover Pool						1,36%
Overcollateralization³ with cash collateral (Current OC)						66,83%
Required Overcollateralization (Moody's)						8,00%
Required Overcollateralization (DBRS) - Minimum OC level to keep the current Mortgage Covered Bond Programme rating						28,00%
Legal Minimum Overcollateralization						5,26%
¹ Includes the Liquidity Cushion amount (see section 8)						
4. Other Triggers						
Net Present Value of Assets (incl. derivatives) ⁴						8.160.576.980
Net present value of liabilities (incl. derivatives) ⁴						5.398.448.755
Net Present Value of Assets (incl. derivatives) - Net present value of liabilities (incl. derivatives) ≥ 0						OK
Net Present Value of Assets (incl. derivatives) - Net present value of liabilities (incl. derivatives) ≥ 0 (stress of +200bps)						OK
Net Present Value of Assets (incl. derivatives) - Net present value of liabilities (incl. derivatives) ≥ 0 (stress of -200bps)						OK
Other Assets ≤ 20% (Cover Pool + Other Assets)						OK
Deposits with a remaining term > 100 days ≤ 15% Covered Bonds Nominal						OK
Estimated Interest from Mortgage Credit and Other Assets - Estimated Interest from Covered Bonds ≥ 0						OK
Mortgage Credit + Other Assets WA Remaining Term - Covered Bonds WA Remaining Term ≥ 0						OK
5. Currency Exposure						
Cover Pool Includes						
Assets in a currency different than Euro (yes/no)						No
Liabilities in a currency different than Euro (yes/no)						No
Cross currency swaps in place (yes/no)						No
Currency Exposure Detail						n/a
6. Mortgage Credit Pool						
Main Characteristics						
Number of Loans						210.276
Aggregate Original Principal Balance (EUR)						14.658.998.456,30
Aggregate Current Principal Balance (EUR)						8.672.776.170,74
Average Original Principal Balance per loan (EUR)						69.713,13
Average Current Principal Balance per loan (EUR)						41.244,73
Current principal balance of the 5 largest borrowers (EUR)						3.916.603,40
Weight of the 5 largest borrowers (current principal balance) %						0,05
Current principal balance of the 10 largest borrowers (EUR)						7.027.950,55
Weight of the 10 largest borrowers (current principal balance) %						0,08
Weighted Average Seasoning (months)						138,07
Weighted Average Remaining Term (months)						267,85
Weighted Average Current Unindexed LTV ⁵ (%)						49,02
Weighted Average Current Indexed LTV ⁵ (%)						53,49
Weighted Average Interest Rate (%)						0,76
Weighted Average Spread (%)						1,02
Max Maturity Date (yyyy-mm-dd)						2066-05-11

6. Mortgage Credit Pool (continued)				
Subsidized Loans	Number of Loans	% Total Loans	Amount of Loans	% Total Amount
Yes	0	0,00%	0	0,00%
No	210.276	100,00%	8.672.776.171	100,00%
Insured Property ⁶	Number of Loans	% Total Loans	Amount of Loans	% Total Amount
Yes	210.276	100,00%	8.672.776.171	100,00%
No	0	0,00%	0	0,00%
Interest Rate Type	Number of Loans	% Total Loans	Amount of Loans	% Total Amount
Fixed	205	0,10%	9.086.763	0,10%
Floating	210.071	99,90%	8.663.689.407	99,90%
Repayment Type	Number of Loans	% Total Loans	Amount of Loans	% Total Amount
Annuity / French	210.276	100,00%	8.672.776.171	100,00%
Linear	0	0,00%	0	0,00%
Increasing instalments	0	0,00%	0	0,00%
Bullet	0	0,00%	0	0,00%
Interest-only	0	0,00%	0	0,00%
Other	0	0,00%	0	0,00%
Seasoning	Number of Loans	% Total Loans	Amount of Loans	% Total Amount
Up to 1 year	0	0,00%	0	0,00%
1 to 2 years	0	0,00%	0	0,00%
2 to 3 years	24	0,01%	1.309.226	0,02%
3 to 4 years	761	0,36%	41.447.865	0,48%
4 to 5 years	1.334	0,63%	67.986.357	0,78%
5 to 6 years	1.987	0,94%	115.207.244	1,33%
6 to 7 years	7.792	3,71%	544.920.502	6,28%
7 to 8 years	12.162	5,78%	825.530.869	9,52%
8 to 9 years	15.485	7,36%	903.193.859	10,41%
9 to 10 years	17.965	8,54%	919.052.255	10,60%
10 to 11 years	17.367	8,26%	888.829.006	10,25%
11 to 12 years	15.588	7,41%	742.412.028	8,56%
More than 12 years	119.811	56,98%	3.622.886.960	41,77%
Remaining Term	Number of Loans	% Total Loans	Amount of Loans	% Total Amount
Up to 5 years	25.020	11,90%	189.134.163	2,18%
5 to 8 years	25.662	12,20%	473.671.923	5,46%
8 to 10 years	12.622	6,00%	337.207.561	3,89%
10 to 12 years	13.267	6,31%	406.198.629	4,68%
12 to 14 years	16.271	7,74%	567.739.904	6,55%
14 to 16 years	18.336	8,72%	709.842.731	8,18%
16 to 18 years	12.508	5,95%	559.173.368	6,45%
18 to 20 years	8.984	4,27%	443.596.333	5,11%
20 to 22 years	9.734	4,63%	510.359.270	5,88%
22 to 24 years	9.151	4,35%	512.330.445	5,91%
24 to 26 years	9.626	4,58%	534.071.453	6,16%
26 to 28 years	11.644	5,54%	689.174.124	7,95%
28 to 30 years	7.473	3,55%	490.321.867	5,65%
30 to 40 years	28.161	13,39%	2.111.995.666	24,35%
More than 40 years	1.817	0,86%	137.958.734	1,59%
Current Unindexed LTV	Number of Loans	% Total Loans	Amount of Loans	% Total Amount
Up to 40%	105.330	50,09%	2.537.066.543	29,25%
40 to 50%	31.460	14,96%	1.501.680.963	17,31%
50 to 60%	32.866	15,63%	1.836.878.809	21,18%
60 to 70%	30.681	14,59%	2.041.265.240	23,54%
70 to 80%	9.939	4,73%	755.884.615	8,72%
More than 80%	0	0,00%	0	0,00%
Loan Purpose	Number of Loans	% Total Loans	Amount of Loans	% Total Amount
Owner-Occupied	153.978	73,23%	7.247.664.990	83,57%
Second Home	11.631	5,53%	453.749.368	5,23%
Buy to Let	0	0,00%	0	0,00%
Other	44.667	21,24%	971.361.813	11,20%
Property Type	Number of Loans	% Total Loans	Amount of Loans	% Total Amount
Residential	210.276	100,00%	8.672.776.171	100,00%
Flat	120.227	57,18%	4.640.017.851	53,50%
House	89.792	42,70%	4.025.082.316	46,41%
Other	257	0,12%	7.676.003	0,09%
Commercial	0	0,00%	0	0,00%

6. Mortgage Credit Pool (continued)							
Geographical Distribution		Number of Loans	% Total Loans	Amount of Loans	% Total Amount		
Portugal		210.276	100,00%	8.672.776.171	100,00%		
Norte		58.771	27,95%	2.322.748.365	26,78%		
Center		47.756	22,71%	1.914.693.853	22,08%		
Lisbon		67.533	32,12%	2.935.329.723	33,85%		
Alentejo		17.281	8,22%	644.297.870	7,43%		
Algarve		9.689	4,61%	411.298.909	4,74%		
Madeira		4.194	1,99%	217.082.603	2,50%		
Azores		5.052	2,40%	227.324.847	2,62%		
Delinquencies ⁷		Number of Loans	% Total Loans	Amount of Loans	% Total Amount		
> 30 to 60 days		161	0,08%	6.920.819	0,08%		
> 60 to 90 days		1	0,00%	6.415	0,00%		
> 90 days		0	0,00%	0	0,00%		
Projected Outstanding Amount ^b				Amortisation Profile	Principal Balance		
				2017-09	8.672.776.171		
				2018-09	8.229.338.518		
				2019-09	7.798.740.750		
				2020-09	7.383.841.796		
				2021-09	6.985.554.330		
				2022-09	6.602.611.500		
				2023-09	6.243.702.230		
				2024-09	5.902.238.180		
				2025-09	5.571.853.527		
				2026-09	5.247.207.253		
				2027-09	4.921.322.089		
				2028-09	4.623.312.227		
				2033-09	3.308.919.503		
				2038-09	2.236.628.461		
				2043-09	1.321.946.847		
				2048-09	615.246.201		
				2053-09	153.820.388		
				2058-09	12.576.793		
^b Includes mortgage pool; assumes no prepayments							
7. Expected Maturity Structure							
In EUR	0-1 Years	1-2 Years	2-3 Years	3-4 Years	4-5 Years	5-10 Years	>10 Years
Residencial Mortgages ^b	443.437.653	430.597.768	414.898.954	398.287.466	382.942.829	1.681.289.411	4.921.322.089
Commercial Mortgages	0	0	0	0	0	0	0
Other Assets ²	0	0	0	0	119.225.250	0	0
Cover Pool	443.437.653	430.597.768	414.898.954	398.287.466	502.168.079	1.681.289.411	4.921.322.089
Covered Bonds	750.000.000	750.000.000	1.000.000.000	0	2.750.000.000	0	20.000.000
^b Includes mortgage pool; assumes no prepayments							

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 Regulatory Notice 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 Common Representative is an entity authorised to represent investors in the United Kingdom.

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 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. The removal of any Common Representative shall not become effective unless there shall be a Common Representative in office after such removal.

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 Regulatory Notices.

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 (as supplemented, or replaced by a new cover pool monitor agreement relating to this Covered Bonds Programme, from time to time), the Issuer appointed Ernst & Young Audit & Associados, SROC, S.A. as Cover Pool Monitor for a first term, as of 18 May 2017 to 31 December 2020. Such appointment was confirmed by an Issuer’s Executive Committee resolution of 20 December 2017. Ernst & Young Audit & Associados, SROC, S.A. is member of the Portuguese Institute of Statutory Auditors (*Ordem dos Revisores Oficiais de Contas*) with registration number 178 and registered with the CMVM under registration number 20161480.

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 Regulatory Notices 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 Regulatory Notices, 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 Regulatory Notices 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 Regulatory Notices, 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 Regulatory Notices 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, S.A. (“CGD”) was created as a state bank by the 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. CGD was converted into a state owned joint stock 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 is a full service bank. Its objects consist of the provision of banking and investment services pursuant and subject to its articles of association and the limitations set out in the legislation applicable to Portuguese credit institutions and investment firms.

CGD’s registered office is at Av. João XXI, no. 63, 1000-300 Lisbon, Portugal (tel: +351 21 795 30 00 /+351 21 790 50 00). CGD is registered with the Commercial Registry Office of Lisbon under the sole registration and taxpayer number 500 960 046.

During the first quarter of 2017, CGD implemented its 2017 Recapitalisation Plan in two phases, as further described below.

Ownership

CGD is a public limited company (“*sociedade anónima*”) and is wholly owned by the Portuguese State. As such, it is also regulated by the legislation applicable to public limited companies, in addition to legislation applicable to Portuguese credit institutions and investment firms. The Portuguese State ownership of CGD is expected to be maintained and reinforced in the current context of the Portuguese financial system. CGD is fully autonomous from the Portuguese State in respect of administrative and financial matters.

Recapitalisation Plan

2017 Recapitalisation Plan

CGD has posted losses after 2012, mostly due to subdued growth in the Portuguese economy that affected credit concession by banks, but also due to the impact of provisions and impairments related to non-performing loans (“**NPLs**”).

In order to be able to continue its activities and also to comply with increasing capital requirements, the Portuguese State, as CGD’s sole shareholder, approved the 2017 Recapitalisation Plan, the different steps of which are described below. In order not to trigger State Aid rules, as per the agreement with the European Commission, the 2017 Recapitalisation Plan needed to meet two conditions:

- CGD being able to sell the issue of subordinated debt instruments to private investors; and
- CGD implementing a strategic plan between 2017 and 2020, designed to improve CGD’s profitability and sustainability and to create value for the shareholder on similar terms to those which would be demanded by private investors in current market circumstances (the “**Strategic Plan**”).

The 2017 Recapitalisation Plan and the Strategic Plan were approved by both the European Commission and the Portuguese State without triggering State Aid rules, as confirmed by a public communication issued on 10 March 2017 by the European Commission. Accordingly, no State Aid or other similar restrictions apply to CGD or the CGD Group in the context of the 2017 Recapitalisation Plan.

Completion of First Part of the 2017 Recapitalisation Plan

The first part of the 2017 Recapitalisation Plan was concluded with the sole shareholder's resolution on 4 January 2017 with an increase in CGD's share capital from €5,900,000,000 to €7,344,143,735, through the issuance of 288,828,747 new ordinary shares with a nominal value of €5.00 each to be fully subscribed for and paid up by the Portuguese State, as follows:

- €945,148,185 through the transfer of contingent convertible bonds subscribed for by the Portuguese State in 2012, with a nominal value of €900,000,000 plus accrued unpaid interest of €45,148,185.
- €498,995,550, (corresponding to the book value of the Portuguese State's equity stake in Parcaixa, SGPS, S.A.), through the transfer in-kind of 490,000,000 equity shares.

In addition, the following steps were taken:

- The use of the free reserves and legal reserve amounting to a total of €1,412,460,251 to cover the same amount of retained losses carried forward from past years.
- A reduction of CGD's share capital by an amount of €6,000,000,000, to €1,344,143,735, through the extinguishing of 1,200,000,000 shares with a nominal value of €5.00 each, to cover the retained losses of €1,404,506,311 and to set up a free reserve for the amount of €4,595,493,689.

Moreover, on 31 January 2017, eight members of the Board of Directors of the Issuer were elected for a new term of office of four years, one as a non-executive member and seven as executive members. On 17 March 2017, four members of the Board of Directors of CGD were elected as non-executive members for the 2017-2020 term.

Second Part of the 2017 Recapitalisation Plan

- The second part of the 2017 Recapitalisation Plan, which comprised (i) the issue of deeply subordinated notes ("**AT1 instruments**") in the amount of €500 million, and (ii) the €2,500 million cash injection by the Portuguese State, which both took place on 30 March 2017. The €2,500 million cash injection was accounted for as share capital and led to an increase in CGD's share capital and common equity tier 1 capital from €1,344,143,735 to €3,844,143,735. The share capital increase has increased *pro tanto* CGD's Common Equity Tier 1 ("**CET1**") capital but will have no impact on CGD's distributable items (as such items are defined in Regulation (EU) No 575/2013; the Capital Requirements Regulation or "**CRR**"; "**Distributable Items**").
- In compliance with the applicable legislation in relation to the incurrence of financial indebtedness by the Portuguese State, the Portuguese Government has been specifically authorised by the Portuguese Parliament under Article 118(5) of the 2017 Budget Act (approved by Law no. 42/2016 of 28 December 2016) to incur

financial indebtedness of up to €2,700 million for the purposes of making the cash injection as contemplated by the 2017 Recapitalisation Plan.

Under the 2017 Recapitalisation Plan, as per the agreement with the European Commission, additional subordinated debt instruments in the amount of €430 million are intended to be issued by CGD to investors not related to the Portuguese State or Portuguese State Entities within 18 months following the issue of the AT1 instruments.

Strategic Plan

The Strategic Plan outlines CGD's strategy until 2020. The following section contains an overview of the Strategic Plan. There can be no assurances that CGD will be able to fully implement and meet all of the targets of the Strategic Plan. The factors that may impact the ability of CGD to fully implement all of the targets in the Strategic Plan are not solely in the control of CGD. The targets described below are not forecasts and are not indicative of any expectation of performance by CGD. Some of the key background assumptions to the Strategic Plan are as follows:

- The Strategic Plan is based on a prudent macroeconomic scenario, namely with negative interest rates through 2020;
- The Strategic Plan assumes no fundamental changes in market share or launches of new lines of activity, so there is little dependence on growth assumptions which the management team may be less in control of;
- The Strategic Plan assumes there is significant restructuring of the operational platform, which corresponds to levers under control of the management team;
- The restructuring of the international footprint, based on criteria of economic and strategic rationale, will simplify and de-risk CGD's subsidiary portfolio;
- The Strategic Plan includes an enhancement of the CGD Group's risk management practices, aimed at aligning CGD with market best practices;
- The re-evaluation of the loan and securities book will allow for the operation of normalised cost of risk; and
- Governance and remuneration conditions have been reviewed to allow for CGD to compete as a market player.

The goal of the measures contained in the Strategic Plan is to improve the overall performance of CGD in order to ensure its long-term sustainability and the creation of value for its shareholder. As such, it builds on the following principles:

- Maintaining CGD's current leading position in the Portuguese market without fundamentally changing its current business model as a global bank;
- Increasing the operational efficiency of its domestic operations, combining it with the simplification of the Group structure and the restructuring of the international portfolio;
- Targeting attractive average returns for the shareholder (greater than 5 per cent. as of 2018 and 9 per cent. as of 2020);
- Strengthening the CGD Group's solvency levels to aim for CET1 above 12 per cent. as of 2018 and above 14 per cent. as of 2020 on a consolidated basis;

- Maintaining an independent and accountable governance and management model.

The Strategic Plan builds upon four strategic pillars which are described below. Associated with each pillar are selected metrics. These are targets and they are not forecasts. The targets are part of the Strategic Plan that was validated by the Directorate-General for Competition (“**DG Comp**”) and was one of the conditions required to be met in order for the 2017 Recapitalisation Plan not to be considered State Aid.

CGD will ensure that the full and correct implementation of the Strategic Plan is continually monitored by an independent auditing institution and, on a quarterly basis, CGD will provide a report to DG Comp (which will also be validated by such independent auditing institution) covering the financial and operational drivers of the Strategic Plan and an overview of CGD’s performance compared with the targets. If any of the targets are not met, CGD is committed to taking all necessary measures (including, but not limited to, pricing adjustments, further cost cutting or divestment of additional foreign assets) to ensure those targets are achieved.

Pillar 1

The first pillar of the Strategic Plan is based on the restructuring of CGD’s asset portfolio and on the strengthening of its risk management model with the aim of improving the solvency and resilience of the balance sheet.

Pillar 1 of the Strategic Plan is to be carried out through a set of initiatives aimed at ensuring that the risk management of CGD corresponds to the highest international and regulatory standards and that a cost efficient business model regarding risk management is put in place. For these purposes, the following measures shall be implemented:

- Integrating finance and business priorities with risk management, including in the context of strategy/risk appetite, budgeting and performance management;
- Implementing a full “three-lines-of-defence” risk management model;
- Upgrading the compliance and audit infrastructure;
- Revising all the risk management processes;
- Improving the quality of capital measurement models;
- Improving the legacy assets management; and
- Strengthening credit monitoring and recovery.

The process of turning these initiatives into short and medium-term actions has already been started. In particular, a detailed set of underwriting and NPL operational plans have been drawn up.

Furthermore, CGD will explore the possibility of creating a separate unit with dedicated management to oversee legacy real estate assets. If this unit goes ahead, it should lead to a more efficient recovery process and allow CGD’s management team to focus on CGD’s ongoing strategy and operations.

Based on the set of initiatives described above, CGD is targeting the following:

- A non performing exposure ratio from 16 per cent. in 2016 to a level at or below 12 per cent. by 2018 and 8 per cent. by 2020. This ratio is determined by calculating non-performing exposures as a proportion of total portfolio. Non performing exposures are material exposures which are more than 90 days past-due, including on-balance sheet and off-balance sheet exposures. The total portfolio includes debt instruments at amortised cost and irrevocable off-balance sheet exposures.
- A texas ratio at or below 80 per cent. by 2018 and 70 per cent. by 2020. This ratio is determined by calculating non-performing exposures as a proportion of the aggregate of tangible equity and impairments in the balance sheet.
- A cost of risk ratio at or below 0.6 per cent. by 2018 and 2020.

For the sake of clarity, the above are mere targets, which may not be met due to a number of different factors.

As a result of the measures described above, CGD is targeting an improvement in its risk assessment procedures, which in turn will result in a lower expected cost of risk for new loans. It is expected that the additional coverage for non-performing loans reflected in the 2016 provisions and impairments will allow CGD to bring the average cost of risk down more quickly.

Pillar 2

The second pillar of the Strategic Plan focuses on the adjustment of the domestic operational infrastructure of CGD to increase efficiency.

The key initiatives to be implemented in order to adjust the operational infrastructure focus on:

- Adjusting the branch network by reducing the number of branches by 170 (to below 550 by 2018 and below 480 by 2020) and maintaining a market share of branches of around 14 per cent.;
- Reducing headcount by 2,200 by 2020 (to below 7,750 by 2018 and below 6,650 by 2020) in addition to the early retirement program put in place in October 2016;
- Reducing the external service expenses;
- Improving the management of human resources, including training; and
- Improving service levels and customer service through process digitalisation.

Based on the set of initiatives described above, CGD is targeting the following:

- To reduce domestic operational costs from €834 million in 2016 to a level below €780 million by 2018 and below €720 million by 2020 (an overall reduction of 20 per cent.); and
- To reduce the domestic cost-to-income ratio from 82 per cent in 2016 to a level at or below 58 per cent. by 2018 and 43 per cent. by 2020.

Pillar 3

Pillar 3 is centered on the restructuring of the international portfolio with the aim of focusing on selected geographies.

Based on the approach described above, the CGD is targeting the following:

- To reduce the number of international entities (including branches and subsidiaries) from 28 to a maximum of 15 by 2020;
- To reduce assets related to international activity from €23 billion in 2016 to a level at or below €12 billion by 2020;
- To reduce the cost to income related to international activity from 52 per cent. in 2016 to a level at or below 50 per cent. by 2018 and 45 per cent. by 2020; and
- To increase the return on equity of the international activity from 13 per cent. in 2016 (not considering non recurrent results and portfolios to be transferred to domestic perimeter) a minimum of 15 per cent. by 2018 and a minimum of 15 per cent. by 2020.

To date, CGD's international portfolio has been mainly composed of nine subsidiaries and nine branches. Within the overarching principle of reducing international risk and focusing on core geographies with business affinity to Portugal, CGD will carry out a focused approach, ensuring a review of the business and governance models of assets to keep and sell and divest assets in non-core geographies.

Pillar 4

Pillar 4 of the Strategic Plan focuses on the modernisation of the commercial franchise of domestic operations to ensure sustainability. The key initiatives of this pillar include:

- The revision of the segmentation and upgrade of the retail offer;
- Digitalisation of the customer experience;
- Revision of bancassurance and asset management models to support retail value propositions and the penetration of off-balance sheet products;
- The definition of a plan to improve share of wallet in small and medium sized enterprises, capturing treasury and/or cash-management fees;
- The introduction of a risk- and capital- adjusted performance management system; and
- Credit process optimisation.

Based on the set of initiatives described above, CGD is targeting the following for the activities in Portugal:

- Maintaining its business market share at around 24 per cent.;
- To increase net interest income from €635 million in 2016 to a level at or above €900 million by 2018 and €1.1 billion by 2020;
- To increase net interest margin from 0.6 per cent. in 2016, to above 0.8 per cent. by 2018 and above 1.1 per cent. by 2020;
- To increase commissions as a percentage of total deposits and credit from 0.35 per cent. to a level at or above 0.40 per cent. by 2018 and 0.45 per cent. by 2020; and

- To increase operating income as a percentage of the business volume (loans and deposits, excluding non-recurring items), from 1 per cent. in 2016 to above 1.3 per cent. by 2018 and above 1.5 per cent. by 2020.

In terms of net interest income and expense, market shares are assumed to be stable across most products and years, consistent with the overarching view of the Strategic Plan that CGD will remain a universal bank focused on the retail market. The plan projects modest increases in CGD's market share in areas where its current share is significantly below where it would expect to be (for example consumer credit and lending to small and medium enterprises (“SMEs”). The plan also anticipates selected deleveraging in large corporate exposures and real estate.

The increase in net interest income is expected to come mainly from three different sources: (i) a reduction in the cost of retail funding, as term deposits are refinanced at much lower rates; (ii) a reduction in the cost of wholesale funding, as some capital markets transactions issued in the last four years, with higher interest rates, are expected to mature without the need to be refinanced, therefore reducing their weight in the overall cost of funding; and (iii) the increase of operations in segments with a higher interest margin, such as SMEs and consumer loans, where CGD expects to increase its market share.

Corporate Governance

The current corporate governance model has been in place since 31 August 2016 and ensures effective separation between management and oversight functions. CGD's corporate bodies are the General Meeting (*Assembleia Geral*), the Board of Directors (*Conselho de Administração*), the Supervisory Board (*Conselho Fiscal*), the Statutory Auditor Firm (*Sociedade de Revisores Oficiais de Contas*) and the Secretary (*Secretário*).

The General Meeting is conducted under the direction of a General Meeting Board (*Mesa da Assembleia Geral*). The members of the General Meeting Board, Board of Directors, Supervisory Board and the Statutory Audit Firm are elected by the General Meeting. As the Portuguese State holds the entire share capital of CGD, all such members are selected by the Portuguese State. The Secretary is, however, appointed by the Board of Directors.

The Members of CGD's corporate bodies are appointed for a period of four years and may be re-elected. The maximum number of successive terms of office of the members of the Board of Directors cannot exceed four terms in accordance with CGD's articles of association.

The Board of Directors is responsible for the management, administration and representation of CGD. The Board of Directors appoints the Executive Committee to which the Board of Directors delegates wide management powers and the day-to-day management of CGD.

The oversight functions are entrusted to the Supervisory Board, whose powers include, supervising the management, ensuring compliance with the law and with CGD's articles of association, verifying the accounts, supervising the procedure for preparing and disclosing financial information and the examination and auditing of CGD's financial statements as well as supervising the independence of the statutory auditor firm whose primary function is to examine and certify the accounts.

Board of Directors

The following members of the Board of Directors of CGD were elected, for the 2017 to 2020 term. The Board of Directors elected has appointed the Executive Committee.

The members of the Board of Directors of the Issuer are the following:

Non-executive chairman:	Emílio Rui da Veiga Peixoto Vilar
Vice-chairman and chief executive officer ("CEO"):	Paulo José de Ribeiro Moita de Macedo
Executive member:	Francisco Ravara Cary
Executive member:	João Paulo Tudela Martins
Executive member:	José António da Silva de Brito
Executive member:	José João Guilherme
Executive member:	Maria João Borges Carioca Rodrigues
Executive member:	Nuno Alexandre de Carvalho Martins
Executive member:	Carlos António Torroaes Albuquerque

Except as provided below, the members of the Board of Directors were elected on 31 January 2017 and took up office on 1 February 2017. Mrs. Maria João Borges Carioca Rodrigues was elected on 31 January 2017 and took up office on 6 March 2017. Mr. Carlos António Torroaes Albuquerque was elected on 2 August 2017 and took up office on that same date.

In addition, on 17 March 2017, the following members of the Board of Directors of the CGD were elected as non-executive members for the 2017 to 2020 term, with effect as from 20 March 2017, except for Mr. Alberto Souto de Miranda who did so on 1 August 2017 and Mr. Hans-Helmut Kotz who was elected on 19 October 2017. Maria dos Anjos Capote was also elected on 17 March 2017 as non-executive member for the 2017 to 2020 term, with effect as from 20 March 2017 and has resigned on 30 November 2017.

Non-executive member:	Ana Maria Machado Fernandes
Non-executive member:	João José Amaral Tomaz
Non-executive member:	José Maria Monteiro de Azevedo Rodrigues
Non-executive member:	Alberto Souto de Miranda
Non-executive member:	Hans-Helmut Kotz

The business address of each of the members of the Board of Directors is the Issuer's head office at Av. João XXI, No. 63, 1000-300 Lisbon.

Position in other companies of the Group

Name	Position	Companies
Paulo José de Ribeiro Moita de Macedo	Chairman and Chairman of the Executive Committee ⁽¹⁾	Fundação Caixa Geral de Depósitos - Culturgest
Francisco Ravara Cary	Member of the Board of Directors Member of the Board of Directors ⁽¹⁾ Member of the Board of Directors Member of the Board of Directors	Banco Caixa Geral – Brasil, S.A. Banco Caixa Geral, S.A. Banco Comercial e de Investimentos, S.A. Fidelidade – Companhia de Seguros, S.A.
José António da Silva de Brito	Member of the Board of Directors Member of the Board of Directors	Caixa – Participações, SGPS, S.A. Caixa Geral de Aposentações
José João Guilherme	Member of the Board of Directors ⁽¹⁾ Member of the Board of Directors Member of the Board of Directors Member of the Board of Directors Member of the Board of Directors	Banco Caixa Geral, S.A. Banco Comercial e de Investimentos, S.A. Banco Nacional Ultramarino, S.A. Fidelidade – Companhia de Seguros, S.A. Parbanca, SGPS
Maria João Borges Carioca Rodrigues	Member of the Board of Directors Member of the Board of Directors	Caixa Geral de Aposentações Wolfpart, SGPS, SA
João José Amaral Tomaz	Member of the Board of Directors	Caixa Geral de Aposentações

Note:

(1) The undertaking of this position is still waiting for the approval from the competent authorities.

Relevant activities outside the Group

Name	Position	Companies
Emílio Rui da Veiga Peixoto Vilar	Chairman of the Advisory Board ⁽¹⁾ Vice-chairman of the Board of Curators Chairman of the Advisory Board ⁽¹⁾ Non-executive member of the Board of Directors Non-executive member of the Board of Directors Member of Higher University Council Chairman of the Advisory Board ⁽¹⁾	Instituto Português de Oncologia Museu Nacional de Arte Antiga Conselho Consultivo das Fundações Fundação Calouste Gulbenkian Partex Oil & Gas (Holdings) Corporation Universidade Católica Portuguesa Associação dos Amigos do Hospital de Santa Maria
Paulo José de Ribeiro Moita de Macedo	Member of the Board of Directors	Associação Portuguesa de Bancos
Francisco Ravara Cary	Member of the Board of Directors	Locarent – Comp. Portuguesa Aluguer de Viaturas, S.A.

João Paulo Tudela Martins	Not applicable*	Not applicable*
José António da Silva de Brito	Not applicable*	Not applicable*
José João Guilherme	Member of the Board of Directors	Câmara de Comércio e Indústria Luso-Chinesa
Maria João Borges Carioca Rodrigues	Member of the Board of Directors Member of the Board of Directors	SIBS Forward Payment Solutions, S.A. SIBS SGPS, SA
Nuno Alexandre de Carvalho Martins	Not applicable*	Not applicable*
Carlos António Torroaes Albuquerque	Not applicable*	Not applicable*
Ana Maria Machado Fernandes	Not applicable*	Not applicable*
João José Amaral Tomaz	Co-opted member Member of the Board of Directors	Conselho de Prevenção da Corrupção Conselho de Especialidade de Colégio de Especialidades de Economia e Gestão Empresariais da Ordem dos Economistas
Paulo Mota Pinto	Chairman of the Supervisory Board Chairman of the Fiscal Board	Sistema de Informações da República Portuguesa Nos, SGPS
Elsa Roncon Santos	General Manager of the Treasury of Finance Member of the Board of Directors Chairman Chairman of the General Meeting Board Member of the Advisory Board in representation of the Ministry of Finance Chairman of the General Meeting Board Representative of the State Corporate Sector Chairman of the Executive Board	Ministry of Finance EIB – European Investment Bank Comissão conjunta do Fundo Português de Apoio ao Investimento em Moçambique Parpublica – Participações Públicas SGPS Conselho Consultivo das Fundações Lusa – Agência de Notícias de Portugal, S.A. Conselho Económico e Social Fundo de Reabilitação e Conservação Patrimonial
José Lourenço Soares	Not applicable*	Not applicable*
Guilherme Valdemar Pereira de Oliveira Martins	Chairman of the Board Member of the Executive Board Corresponding Member Full Member Academic Merit Professor Professor	Centro Nacional de Cultura Fundação Calouste Gulbenkian Academia das Ciências de Lisboa Academia da Marinha Academia Portuguesa da História Universidade Lusíada Instituto Superior de Ciências Sociais e Políticas da Universidade Técnica de

		Lisboa (ISCSP)
António Luis Traça Borges de Assunção	Manager Manager Manager Teacher	Altauto Fahren (AF), Lda VLX, Lda Sinvegere, Lda Universidade Católica, Lisboa
Manuel Lázaro Oliveira de Brito	Manager	DFK & Associados, Sociedade de Revisores Oficiais de Contas, Lda
Alberto Souto de Miranda	Chairman of the Board of Directors Member of the Board of Directors	Fundiestamo, SGFII, S.A. Fundação Eng. António Pascoal
José Maria Monteiro de Azevedo Rodrigues	Chairman of the Board Statutory Auditor Associated Professor	Portuguese Institute of Statutory Auditors since 2012 ABC - Azevedo Rodrigues, Batalha, Costa & Associados, SROC, Lda ISCTE-IUL Instituto Universitário de Lisboa
Hans-Helmut Kotz	Responsible Senior Consultor Independent Member of the Board of Directors Member of the Advisory Board Member of the Orientation Board Member of the Scientific Council Member of the Scientific Council Member of the Scientific Council Member of the Scientific Council	SAFE Policy Center, Universidade Goethe (Frankfurt) McKinsey & Co Eurex Clearing AG (Zurich) Konstanz Seminar on Monetary Theory (Bona) Revue d'Économie Financière (Paris) Credit and Capital Markets Centre Cournot por la Recherche en Économie Hamburg World Economic Institute Fondation de la Banque Centrale du Luxembourg
Nuno Filipe Abrantes Leal da Cunha Rodrigues	Associated Professor Vice-Chairman Vice-Chairman Full member Deputy advisor for the legal affairs	University of Lisbon School of Law European Institute of the University of Lisbon School of Law Institut for Economic, Financial and Tax Law of the University of Lisbon School of Law Cientific Council of the University of Lisbon School of Law Representative of the Republic for the Autonomous Region of Madeira

Notes:

“Not applicable*” means no activities outside the CGD Group.

(1) This mandate has ended, but he is still undertaking this position.

CGD’s financial statements for the year ending 31 December 2015 were approved, at the Board of Directors level, by the following directors in office at the time of such approval: Álvaro José Barrigas de Nascimento (Chairman), José Agostinho Martins de Matos, Nuno Maria Pinto de Magalhães Fernandes Thomaz, João Nuno de Oliveira Jorge Palma, José Pedro Cabral dos Santos, Ana Cristina

de Sousa Leal, Maria João Borges Carioca Rodrigues, Pedro Miguel Valente Pires Bela Pimentel, José Luís Mexia Fraústo Crespo de Carvalho, José Ernst Henzler Vieira Branco, Eduardo Manuel Hintze da Paz Ferreira, Daniel Abel Monteiro Palhares Traça and Pedro Miguel Ribeiro de Almeida Fontes Falcão.

CGD's financial statements for the year ending 31 December 2016 were approved, at the Board of Directors level, by the following directors in office at the time of such approval: Emílio Rui da Veiga Peixoto Vilar (Chairman), Paulo José Ribeiro Moita de Macedo, Francisco Ravara Cary, João Paulo Tudela Martins, José António da Silva de Brito, José João Guilherme, Maria João Borges Carioca Rodrigues, Nuno Alexandre de Carvalho Martins, Ana Maria Machado Fernandes, Maria dos Anjos Melo Machado Nunes Capote, João José Amaral Tomaz and José Maria Monteiro de Azevedo Rodrigues.

CGD's financial statements for the six months ending 30 June 2017 were approved, at the Board of Directors level, by the following directors in office at the time of such approval: Emílio Rui da veiga Peixoto Vilar (Chairman), Paulo José Ribeiro Moita de Macedo, Francisco Ravara Cary, João Paulo Tudela Martins, José António da Silva de Brito, José João Guilherme, Maria João Borges Carioca Rodrigues, Nuno Alexandre de Carvalho Martins, Ana Maria Machado Fernandes, Maria dos Anjos Melo Machado Nunes Capote, João José Amaral Tomaz, José Maria Monteiro de Azevedo Rodrigues, Alberto Souto Miranda and Carlos António Torroaes Albuquerque.

General Meeting Board

The following are the members of the General Meeting Board of CGD appointed for the 2017 to 2020 term, the business address of which is the Issuer's head office at Av. João XXI, No. 63, 1000-300 Lisbon:

Chairman:	Paulo Mota Pinto
Vice-chairman:	Elsa Roncon Santos
Secretary:	José Lourenço Soares

Supervisory Board

The following are the members of the Supervisory Board of CGD, appointed for the 2016 to 2019 term, the business address of which is the Issuer's head office at Av. João XXI, No. 63, 1000-300 Lisbon:

Chairman:	Guilherme Valdemar Pereira de Oliveira Martins
Members:	António Luis Traça Borges de Assunção
	Manuel Lázaro Oliveira de Brito
Alternative member:	Nuno Filipe Abrantes Leal da Cunha Rodrigues

External Auditor Firm and Statutory Auditor

During the year 2016 the statutory auditor firm was: Oliveira Rego & Associados, SROC, while the external auditors were Deloitte & Associados, SROC, S.A.

Further to the entering into force of the new auditing legal regime, the Issuer appointed, on 18 May 2017, Ernst and Young Audit & Associados - SROC, S.A. as statutory auditor and external auditors, for the 2017 to 2020 term. As external auditors, Ernst and Young Audit & Associados - SROC, S.A. have issued a report on limited review of the condensed consolidated

financial statements regarding the Issuer's 30 June 2017 accounts.

Conflicts of Interest

There are no potential conflicts of interest between any duties to the Issuer by any of the members of either the Board of Directors, the Executive Committee or the Supervisory Board in respect of their private interests and/or other duties.

Former CGD's Corporate Bodies

At the time of approval of the 2015 Annual Report by the General Shareholder's meeting, the following CGD's corporate bodies were in place:

- **Board of Directors**

The following members of the Board of Directors of CGD were first elected, for the 2013 to 2015 term and their mandate was extended until 31 August 2016, except for Mr. Nuno Maria Pinto de Magalhães Fernandes Thomaz and Ms. Maria João Borges Carioca Rodrigues that resigned on 31 May 2016. The Board of Directors elected has appointed the Executive Committee.

Non-executive chairman:	Álvaro José Barrigas do Nascimento
Vice-chairman and chief executive officer ("CEO"):	José Agostinho Martins de Matos
Executive member:	Nuno Maria Pinto de Magalhães Fernandes Thomaz
Executive member:	João Nuno de Oliveira Jorge Palma
Executive member:	José Pedro Cabral dos Santos
Executive member:	Ana Cristina de Sousa Leal
Executive member:	Maria João Borges Carioca Rodrigues
Non-executive member:	Eduardo Manuel Hintze da Paz Ferreira
Non-executive member:	Pedro Miguel Valente Pires Bela Pimentel
Non-executive member:	José Luis Mexia Fraústo Crespo de Carvalho
Non-executive member:	José Ernst Henzler Vieira Branco
Non-executive member:	Daniel Abel Monteiro Palhares Traça
Non-executive member:	Pedro Fontes Falcão

- **General Meeting Board**

The following members of the General Meeting Board of CGD were appointed for the 2013 to 2015 term and their mandate was extended until 31 August 2016:

Chairman	Manuel Carlos Lopes Porto
Secretary	José Lourenço Soares

- **Audit Committee**

The following members of the Audit Committee of CGD were appointed for the 2013 to 2015 term:

Chairman:	Eduardo Manuel Hintze da Paz Ferreira
Members:	Daniel Traça
	Pedro Fontes Falcão

- **Statutory Auditor**

The Statutory Auditor, elected by the General Meeting for the period of 2013 to 2015, was Oliveira Rego & Associados, SROC (represented by Mr. Manuel de Oliveira Rego) and its mandate was extended until 18 May of 2017.

- **External Auditor**

The external auditors were Deloitte & Associados, SROC, S.A that have audited CGD since 2002 and their mandate was extended until 18 May 2017.

Relationship with the Portuguese State

Pursuant to Decree-law 287/93 of 20 August 1993, as amended, CGD must remain owned by the Portuguese State at all times. CGD may, on a contractual basis, undertake special functions considered to be of national interest.

CGD provides the Portuguese Government with banking and investment services in competition with other banks. CGD is also 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 State as shareholder are exercised by a representative appointed in accordance with a regulation issued by the Portuguese Minister of Finance.

CGD and its sole shareholder are required to comply with the principles of corporate governance established under Decree Law 133/2013, of 3 October, as lastly amended by Law 42/2016, of 28 December, which aims to establish best practices of corporate governance in state-owned companies and to ensure that the control exercised by the Portuguese State is not abused.

These rules, amongst other things: (i) provide that the exercise of the Portuguese State's rights as shareholder should observe high standards of transparency and therefore the members of the Government who exercise the shareholding rights of the Portuguese State shall be clearly identified; (ii) provide that the Portuguese State shall establish the strategic guidelines and the targets to be met by CGD and shall actively participate in the general shareholders' meetings; (iii) provide that the Portuguese State shall contribute to the establishment of principles of corporate responsibility and sustainable development and compliance by CGD with these principles should be evaluated annually by the Portuguese State; (iv) provide that the Portuguese State should ensure that CGD has adequate control and evaluation mechanisms, so that the economic and financial information provided is accurate and reflects the actual situation of CGD and that it complies with best international and national corporate governance practices; (v) include rules on the structures of the administration and supervision boards; (vi) include rules on remuneration and other rights; (vii) include rules on conflicts of interest and

disclosure of material information; and (viii) provide that the Portuguese State shall act with independence regarding the appointment of executive directors and also when acting as a client or as a service provider whilst taking into consideration market conditions.

Furthermore, the Portuguese State, as the sole shareholder of CGD, is bound to comply with the principles of corporate governance established under the Council of Ministers' Regulation ("*Resolução do Conselho de Ministros*") 49/2007 which also establishes best practices for corporate governance in state-owned companies and to ensure that the control exercised by the Portuguese State is not abused. These rules namely provide that: (i) the exercise of the Portuguese State's rights as shareholder should observe high standards of transparency and therefore the members of the government who exercise the shareholding rights of the Portuguese State shall be clearly identified; (ii) the Portuguese State shall establish the strategic guidelines and the targets to be accomplished by the state-owned company and shall actively participate in the general shareholders' meetings; (iii) the Portuguese State shall contribute to the establishment of principles of social responsibility and sustainable development and compliance by the company with these targets shall be evaluated annually by the Portuguese State; (iv) the Portuguese State shall ensure that the state-owned company has adequate, control and evaluation mechanisms, that the economic and financial information provided is accurate and reflects the actual situation of the company and that it complies with best international and national corporate governance practices; and (v) the Portuguese State shall act with independence regarding the executive directors and when acting as a client or as a service provider shall also act with independence and within market conditions.

CGD discloses annually the level of compliance with these corporate governance principles in an annex to its audited consolidated financial statements in respect of the relevant financial year. For the avoidance of doubt, any such annex is not incorporated by reference into this Prospectus.

Market Position

The statements in this section relating to the CGD Group's market position are based on calculations made by CGD using data produced by itself and/or obtained from other entities and that are contained or referred to in the management reports and information disclosed together with CGD's financial statements for the financial year ending 31 December 2016, CGD's financial statements for the six months ending 30 June 2017 and CGD's financial information for the nine months ending 30 September 2017. by adding or subtracting amounts from the figures presented therein. 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 aims to maintain its current position in Portugal. It intends to achieve this through its total network of 1,149 branches (as of 30 June 2017), of which 658 are located in Portugal ("**CGD Portugal**") and 491 are located abroad. As for its domestic office network, 62 branches were closed in the first half of 2017, and CGD Portugal comprises 590 physical branches, 41 self-service branches and 26 corporate offices.

CGD reinforced its international presence in 2016, with five branches over 2015, having opened two branches in Mozambique, two branches in Macao and two branches in Angola, in conjunction with the closure of one Mercantile Bank branch. Also, there were 12 representative offices.

During the period between 31 December 2016 and the third quarter of 2017, the CGD Group had a leading position in most segments and key products such as the individual domestic customers segment in Portugal, in terms of both deposits made with CGD and mortgages provided.

In respect of CGD's banking operations, it held a market share of 27 per cent. in the client deposits segment and a market share of 31 per cent. in the individual customers segment as at 30 September 2017.

In terms of total assets, the CGD Group had a market share of 25 per cent. in the Portuguese banking system as at 30 June 2017, based upon the statistics for total assets for banks according to the Portuguese Banking Association and sourced from the Bank of Portugal and information from the Portuguese banking system.

CGD's domestic market share of loans and advances to customers, as at 30 September 2017 was 21 per cent. in comparison to 21.8 per cent as at 31 December 2016. CGD's market share of the corporate and individual customer segments was 18 per cent. and 22.4 per cent. respectively as at 30 September 2017 in comparison to 18.7 per cent. and 23.0 per cent. as at 31 December 2016 and its market share of mortgage loans was 26 per cent. as at 30 September 2017 in comparison to 26.1 per cent. as at 31 December 2016.

The CGD Group carries out domestic investment banking operations, through its investment bank ("**CaixaBI**").

Caixagest – Técnicas de Gestão de Fundos, S.A. ("**Caixagest**"), the CGD Group's asset manager, was active in the fund management sector for both private and institutional customers. According to the Portuguese Association of Investment Funds, Pension Funds and Asset Management ("**APFIPP**") as of 30 September 2017, considering the total amount of discretionary accounts, Caixagest was the management company with the largest market share, with total net assets achieving €21,777.1 million, representing 38.3 per cent. of the total value. In September 2017, Caixagest held a market share of 30.8 per cent. in the securities investment funds with total net assets of €3,680.3 million, recording the highest net sales with €78.5 million, within net sales of €94.4 million since the beginning of 2017.

In December 2016, the pension funds management, CGD Pensões, Sociedade Gestora de Fundos de Pensões, S.A. ("**CGD Pensões**") held a market share of 19.1 per cent. as compared to 18.9 per cent. in 2015.

In 2016, the CGD Group's financial leasing company, Caixa Leasing e Factoring ("**CLF**") had a positive performance in the main business segments in which it operates. As at 31 December 2016, its market shares of property and equipment leasing sales achieved 13.7 per cent. and 17.2 per cent., respectively, and its market share in the factoring market increased to 11.6 per cent. during 2016. Fundger, the CGD Group's real estate investment fund, held a market share of 10.3 per cent. on total assets under management as at 31 Decemebr 2016.

CGD continues to focus on developing its client base, and currently offers a wide range of financial products and services to its customers. 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 in the future.

The Group's Geographic Markets

The CGD Group's international presence is focused on countries with cultural and economic ties to Portugal, mainly in Asia and Africa (Macao, Angola and Mozambique).

The CGD Group operates in international markets, in Europe, such as Spain ("Banco Caixa Geral", with a total of 110 branches, Caixa Banco de Investimento, CGD Spain Branch and Inmobiliária Caixa Geral with one branch each), France (French branch with 48 branches), Luxembourg (2 branches), the United Kingdom (1 branch) and 4 representative offices in Switzerland, Germany and Belgium.

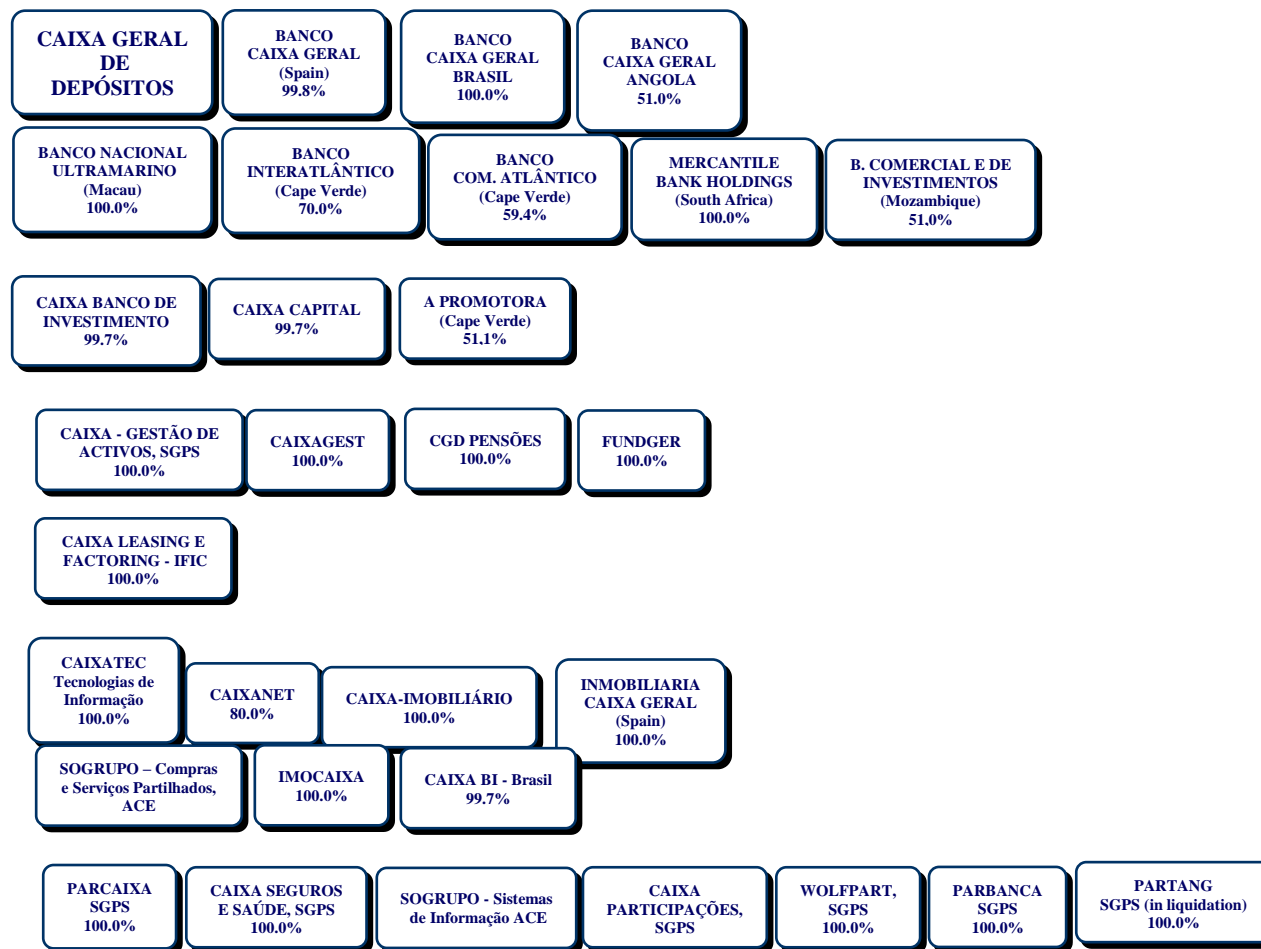
In January 2017, Banco Nacional Ultramarino in Macao expanded its branch office network to mainland China, opening a branch on Hengqin Island. During the first half of 2017, two branches were closed in Angola as well as the representative office in Argélia. In Mozambique, CGD opened two branches in 2016.

The CGD Group also maintains presence in South Africa, Mercantile Bank (with 13 branches), New York (1 branch), Canada (1 branch), Mexico (1 branch), Brazil (2 branches), Venezuela (2 branches), Xangai (1 branch) Cayman Island (1 branch), Timor (14 branches) and India (2 branches).

Overseas the CGD Group holds a significant position, due to the significant market share or for the recognition of its brand as in Mozambique (BCI with 193 branches), Cape Verde (Banco Interatlântico and BCA with 43 branches in total) or São Tomé and Príncipe (12 branches) and East-Timor (14 branches), Macao (Banco Nacional Ultramarino with 20 branches and Macao offshore subsidiary with one branch) and Angola (with 40 branches).

Group Structure

Set out below is a chart detailing the principal activities and companies within the CGD Group, showing CGD's or its subsidiaries' equity interest where appropriate, as at 30 September 2017.



Overview of Financial Information

Set out below in summary form are the audited financial statements (balance sheet, income statement and accounts), consolidated for CGD for the years ended 31 December 2015 and 31 December 2016.

For further information please also see the section entitled “*Documents Incorporated by Reference*”.

Consolidated Balance Sheet

	31 December 2016			31 December 2015
Assets	Amounts before impairment, amortisation and depreciation	Impairment, amortisation and depreciation	Net assets	Net assets
	(Amounts expressed in € thousand)			
Cash and cash equivalents at central banks	1,840,560	—	1,840,560	2,879,645
Cash balances at other credit institutions ...	757,726	—	757,726	773,163
Loans and advances to credit institutions ...	3,224,922	(7,125)	3,217,797	4,011,515
	5,823,207	(7,125)	5,816,082	7,664,323
Financial assets at fair value through profit or loss	7,153,925	—	7,153,925	3,365,877
Available-for-sale financial assets.....	7,908,388	(478,876)	7,429,512	15,620,442
Financial assets with repurchase agreement	800,419	(688)	799,732	1,081,166
Hedging derivatives	9,541	—	9,541	46,468
Held-to-maturity investments	433,131	—	433,131	—
	16,305,404	(479,564)	15,825,841	20,113,953
Loans and advances to customers.....	68,500,222	(5,633,397)	62,866,825	65,759,033
Non-current assets held for sale	1,948,171	(522,099)	1,426,072	830,402
Investment properties.....	978,263	—	978,263	1,125,044
Other tangible assets.....	1,649,019	(1,072,516)	576,503	619,370
Intangible assets	848,837	(732,659)	116,178	135,032
Investments in associates and jointly controlled entities	312,338	—	312,338	277,496
Current tax assets	41,778	—	41,778	37,126
Deferred tax assets.....	2,545,785	—	2,545,785	1,473,918
Other assets	3,444,497	(402,849)	3,041,648	2,865,772
Total assets	102,397,523	(8,850,210)	93,547,313	100,901,467

Consolidated Balance Sheet

	31 December 2016	31 December 2015
Liabilities and Equity		
	<i>(Amounts expressed in € thousand)</i>	
Resources of central banks and other credit institutions	5,799,712	5,433,070
Customer resources and other loans	69,680,130	73,426,265
Debt securities	4,183,729	6,700,081
	<u>73,863,859</u>	<u>80,126,345</u>
Financial liabilities at fair value through profit or loss	1,695,481	1,738,597
Hedging derivatives	2,197	10,812
Non-current liabilities held for sale	693,369	—
Provisions for employee benefits	613,094	642,958
Provisions for other risks	514,218	349,506
Current tax liabilities	50,784	15,864
Deferred tax liabilities	191,045	253,224
Other subordinated liabilities	2,424,133	2,428,925
Other liabilities	3,816,580	3,718,457
Total liabilities	<u>89,664,472</u>	<u>94,717,758</u>
Share capital	5,900,000	5,900,000
Fair value reserves	(38,347)	258,816
Other reserves and retained earnings	(983,706)	(690,702)
Net income attributable to the shareholder of CGD	(1,859,523)	(171,453)
Equity attributable to the shareholder of CGD	3,018,424	5,296,661
Non-controlling interests	864,417	887,048
Total equity	<u>3,882,841</u>	<u>6,183,710</u>
Total liabilities and equity	<u><u>93,547,313</u></u>	<u><u>100,901,467</u></u>

Income Statement (Consolidated)

	31 December 2016	31 December 2015 (restated) ⁽¹⁾
Income Statement (Consolidated)		
	<i>(Amounts expressed in € thousand)</i>	
Interest and similar income	2,628,032	2,904,572
Interest and similar expenses	(1,483,164)	(1,819,871)
Income from equity instruments	52,389	74,267
NET INTEREST INCOME	<u>1,197,256</u>	<u>1,158,968</u>
Income from services rendered and commissions	584,068	621,565

Income Statement (Consolidated)	31 December	31 December
	2016	2015 (restated) ⁽¹⁾
	<i>(Amounts expressed in € thousand)</i>	
Cost of services and commissions	(120,489)	(123,408)
Results from financial operations	79,457	345,857
Other operating income	(193,141)	(4,172)
TOTAL OPERATING INCOME	1,547,151	1,998,810
Employee costs	(705,850)	(803,948)
Other administrative costs	(439,615)	(458,302)
Depreciation and amortisation	(94,870)	(102,413)
Provisions net of reversals	(232,829)	(37,211)
Loan impairment net of reversals and recoveries	(2,396,399)	(556,206)
Other assets impairment net of reversals and recoveries	(387,714)	(121,987)
Results of subsidiaries held for sale	10,821	8,705
Results of associates and jointly controlled entities	47,480	47,099
Income before Tax and Non-controlling Interests	(2,651,825)	(25,454)
Income tax		
Current	247,019	(147,729)
Deferred	579,635	91,642
	826,654	(56,087)
Consolidated Net Income for the Years, of which:	(1,825,171)	(81,541)
Non-controlling interests	(34,351)	(89,912)
Net Income attributable to the Shareholder of CGD	(1,859,523)	(171,453)
Average number of ordinary shares outstanding	1,180,000,000	1,180,000,000
Earnings per share (in Euros)	(1.58)	(0.15)

Note:

- (1) The December 2015 amounts have been restated, considering Mercantile Bank Holdings, Ltd. as a non-current asset held for sale.

€ Thousands

153

€ Thousands

	Other reserves and retained earnings					Net income for the year	Non-controlling interests		Total
	Share capital	Fair value reserve	Other reserves	Retained earnings	Total		Subtotal	interests	
				(Amounts expressed in € thousand)					
Total gains and losses for the year recognised in equity	—	(152,994)	13,701	—	13,701	(171,453)	(310,745)	4,030	(306,715)
Written-put over non controlling interests - Partang.....	—	—	81,578	—	81,578	—	81,578	(64,447)	17,131
Investments carried out by non-controlling interests	—	—	—	—	—	—	—	(567)	(567)
Dividends paid to non-controlling interests	—	—	—	—	—	—	—	(18,899)	(18,899)
Reclassifications between reserves and retained earnings	—	—	(482)	482	—	—	—	—	—
Balances at December 31, 2015	5,900,00	258,816	2,700,63	(3,391,33)	(690,702)	(171,453)	5,296,66	887,048	6,183,71
Appropriation of net income for 2015:.....	0		2	3)			1		0
Transfer to reserves and retained earnings	—	—	(171,453)	—	(171,453)	171,453	—	—	—
Other entries directly recorded in equity:.....									

€ Thousands

[illegible]

€ Thousands

[illegible]

Financial Analysis for the Consolidated Activity for the year ending 31 December 2016

Economic Performance

	31 December 2015	31 December 2016
	<hr/> <i>(€ million)</i> <hr/>	
Income Statement		
Net interest income incl. income equity instrum ⁽¹⁾	1,188	1,197
Non-interest income ⁽¹⁾	854	350
Total Operating Income ⁽¹⁾	2,042	1,547
Operating costs ⁽¹⁾	1,392	1,240
Net Operating Income before Impairments ⁽¹⁾	650	307
Income before tax and non-controlling interests	(21)	(2,652)
Net income attributable to the shareholders of CGD	(171)	(1,860)
Balance Sheet		
Net assets	100,901	93,547
Securities investments ⁽¹⁾	19,649	15,581
Loans and advances to customers (gross) ⁽²⁾	71,376	68,735
Customer resources and other loans	73,426	69,680
Debt securities	6,700	4,184
Shareholders' equity	6,184	3,883
Profit and Efficiency Ratios		
Gross return on equity - ROE ^{(1) (3)}	(0.3%)	(46.5%)
Net return on equity - ROE ⁽³⁽¹⁾⁾	(1.3%)	(32.0%)
Gross return on assets - ROA ^{(1) (3)}	0.0%	(2.7%)
Net return on assets - ROA ^{(1) (3)}	(0.1%)	(1.8%)
Total Operating Income/Average net assets⁽¹⁾	2.1%	1.6%
Structure Ratios		
Loan-to-deposits ratio. ^{(1) (3)}	90.1%	90.6%
Leverage and Liquidity Ratios (CRD IV/CRR)		
Leverage ratio (fully implemented)	5.7%	3.3%
Liquidity coverage ratio	143.1%	177.5%
Net stable funding ratio	135.9%	134.1%
Branch Office Network and Human Resources		
Number of branches - CGD Group	1,253	1,211

	31 December 2015	31 December 2016
	<i>(€ million)</i>	
Number of branches - CGD Portugal.....	764	717
Number of employees - CGD Group ⁽⁴⁾	16,058	15,452
Number of employees - CGD Portugal ⁽⁴⁾	8,410	8,113

Notes:

- (1) Definition included in the Annex – Alternative Performance Measures;
- (2) Includes assets with repo agreements not related to security investments;
- (3) Considering the special regime applicable to DTA – Deferred Tax Assets (according to IAS);
- (4) Effective Staff.

Income Statement (Consolidated)			Change	
	31 December	31 December	Total	
	2015	2016		
	(€ million)			(%)
Interest and similar income	2,904,572	2,628,032	(276,541)	(9.5)
Interest and similar expenses	1,819,871	1,483,164	(336,707)	(18.5)
Net interest income	1,084,701	1,144,868	60,166	5.5
Income from equity instruments	74,267	52,389	(21,878)	(29.5)
Net interest inc. incl. inc. from eq. invest ⁽¹⁾	1,158,968	1,197,256	38,288	3.3
Income from services and commissions	621,565	584,068	(37,497)	(6.0)
Costs of services and commissions	123,408	120,489	(2,919)	(2.4)
Results from services and commissions ⁽¹⁾	498,157	463,579	(34,578)	(6.9)
Results from financial operations	345,857	79,457	(266,400)	(77.0)
Other operating income.....	(4,172)	(193,141)	(188,969)	—
Non-interest income ⁽¹⁾	839,842	349,895	(489,947)	(58.3)
Total operating income.....	1,998,810	1,547,151	(451,659)	(22.6)
Employee costs	803,948	705,850	(98,098)	(12.2)
Other administrative costs.....	458,302	439,615	(18,687)	(4.1)
Depreciation and amortisation	102,413	94,870	(7,543)	(7.4)
Operating costs and depreciation	1,364,663	1,240,336	(124,328)	(9.1)
Net operating income before impairments ⁽¹⁾	634,147	306,816	(327,331)	(51.6)
Provisions and impairments of other assets (net) ⁽¹⁾	159,198	620,543	461,344	289.8
Loan impairment net of reversals and recoveries	556,206	2,396,399	1,840,193	330.8
Provisions and impairments.....	715,404	3,016,941	2,301,537	321.7
Results from subsidiaries held for sale.....	8,705	10,821	2,116	24.3
Results from associated companies	47,099	47,480	381	0.8
Net inc. before tax and non-controlling interest.....	(25,453)	(2,651,825)	(2,626,372)	—
Income Tax.....	56,087	(826,654)	(882,741)	(1573.9)
Current and deferred	23,909	(865,722)	(889,631)	(3720.9)
Extraordinary contrib. on the banking sector ⁽²⁾	32,178	39,068	6,890	21.4
Consolidated net income for year.....	(81,541)	(1,825,171)	(1,743,631)	—

Income Statement (Consolidated)	31 December 2015	31 December 2016	Change	
			Total	(%)
	(€ million)			
of which:.....				
Non-controlling interest.....	89,912	34,351	(55,561)	(61.8)
Net income attrib. to CGD's shareholder....	(171,453)	(1,859,523)	(1,688,070)	—

The December 2015 values have been restated, considering Mercantile Bank Holdings. Ltd. As non-current asset held for sale.

Notes:

- (1) Definition included in the Annex – Alternative Performance Measures;
- (2) Please refer to Note 18. Income Tax of the Annual Report 2016 (page 241).

Operating Costs and Amortization	31 December 2015	31 December 2016	Change	
			Total	(%)
	(€ million)			
Employee costs.....	803.9	705.9	(98.1)	(12.2)
Other administrative costs	458.3	439.6	(18.7)	(4.1)
Depreciation and amortisation.....	102.4	94.9	(7.5)	(7.4)
Total	1,364.7	1,240.3	(124.3)	(9.1)

Efficiency Ratios	Change	
	31 December 2015	31 December 2016
	(%)	
Cost-to-income ⁽¹⁾	66.7	77.8
Employee costs/total operating income ⁽¹⁾	39.3	44.3
Other administrative costs/total operating income	22.9	28.4

Efficiency Ratios	31 December 2015	31 December 2016
	(%)	
Operating costs/average net assets ⁽²⁾	1.4	1.3

Notes:

- (1) Calculated in accordance with Bank of Portugal Instruction 23/2012;
(2) Definition included in the Annex – Alternative Performance Measures.

			Change	
Contribution to Net Operating Income before Impairments	31 December 2015	31 December 2016	Total	
	(€ million)			(%)
Domestic commercial banking	220.3	71.3	(149.1)	(67.7)
International activity	374.9	378.4	3.6	1.0
Investment banking	19.1	25.3	6.2	32.4
Other	19.8	(168.3)	(188.1)	(949.2)
Net operating income before impairments.	634.1	306.8	(327.3)	(51.6)

			Change	
	31 December 2015	31December 2016	Total	
Provisions and Impairments				
	(€ million)			(%)
Provisions (net) ⁽¹⁾	37.2	232.8	195.6	525.7
Loan impairment net of reversals and recoveries	556.2	2,396.4	1,840.2	330.8
impairments losses net of reversals.....	578.0	2,415.6	1,837.6	317.9
Credit recovery.....	21.8	19.2	(2.6)	(11.8)
impairments of other assets ⁽²⁾	122.0	387.7	265.7	217.8
Securities.....	48.9	145.9	96.9	198.0
Non-current assets held for sale	49.9	144.5	94.7	189.9

Provisions and Impairments	31 December 2015	31 December 2016	Change	
			Total	
Non-financial and other assets	23.2	97.3	74.1	319.6
Provisions and impairments for period	715.4	3,016.9	2,301.5	321.7

Notes:

(1) Please refer to Note 23. Provisions and Contingent Liabilities of the Annual Report 2016 (page 252);

(2) Please refer to Note 37. Assets Impairment of the Annual Report 2016 (page 296).

Balance Sheet

CGD's Group Consolidated Net Asset	31 December 2015		31 December 2016	
	Total	Structure	Total	Structure
	(€ million)	(%)	(€ million)	(%)
Caixa Geral de Depósitos ⁽¹⁾	71,292	70.7	64,373	68.8
Banco Caixa Geral (Spain)	4,591	4.5	4,907	5.2
Banco Nacional Ultramarino, SA (Macau) ...	5,577	5.5	6,217	6.6
Caixa Banco de Investimento	1,500	1.5	1,296	1.4
Caixa Leasing e Factoring	2,380	2.4	2,397	2.6
Banco Comercial Investimento (Mozambique)	2,323	2.3	1,816	1.9
Banco Comercial do Atlântico (Cape Verde)	707	0.7	744	0.8
Mercantile Lisbon Bank Holdings (South Africa)	562	0.6	836	0.9
BCG Angola	1,943	1.9	1,712	1.8
Other companies ⁽²⁾	10,027	9.9	9,249	9.9
Consolidated Net Assets	100,901	100.0	93,547	100.0

Notes:

(1) Separate activity;

(2) Includes units consolidated by the equity accounting method.

Consolidated Balance Sheet	Change			
	31 December 2016 vs 31 December 2015			
	31 December 2015	31 December 2016	Total	
	(€ million)			(%)
Assets				
Cash and cash equivalents with central banks	2,880	1,841	(1,039)	(36.1)
Loans and advances to credit institutions	4,785	3,976	(809)	(16.9)
Loans and advances to customers	65,759	62,867	(2,892)	(4.4)
Securities investments ⁽²⁾	18,986	15,017	(3,970)	(20.9)
Financial assets with repurchase agreement ⁽³⁾	1,081	800	(281)	(26.0)
Non-current assets held for sale	830	1,426	596	71.7
Investm. in subsid. and associated companies	277	312	35	12.6
Intangible and other tangible assets	754	693	(62)	(8.2)
Current tax assets	37	42	5	12.5
Deferred tax assets	1,474	2,546	1,072	72.7
Other assets ⁽⁴⁾	4,037	4,029	(8)	(0.2)
Total assets	100,901	93,547	(7,354)	(7.3)
Liabilities				
Central banks' and credit institutions' resources	5,433	5,800	367	6.7
Customer resources and other loans	73,426	69,680	(3,746)	(5.1)
Financial liabilities at fair value through profit or loss	1,739	1,695	(43)	(2.5)
Debt securities	6,700	4,184	(2,516)	(37.6)
Provisions for employee benefits and for other risks	992	1,127	135	13.6
Other subordinated liabilities	2,429	2,424	(5)	(0.2)
Other liabilities ⁽⁵⁾	3,998	4,754	756	18.9
Sub-total	94,718	89,664	(5,053)	(5.3)
Shareholders' equity	6,184	3,883	(2,301)	(37.2)
Total	100,901	93,547	(7,354)	(7.3)

Notes:

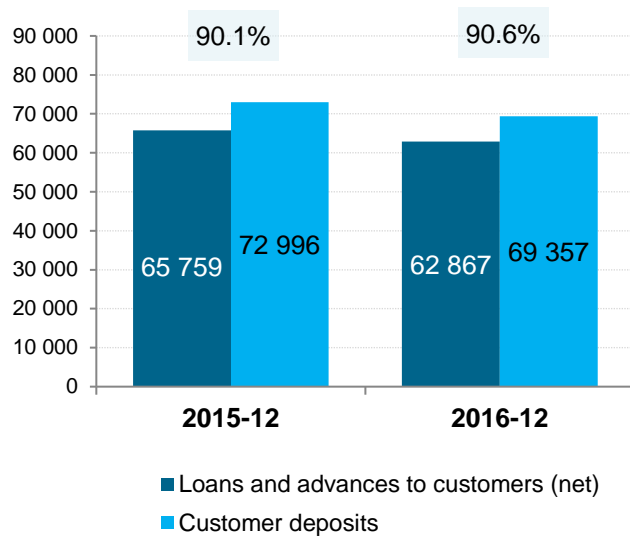
- (1) Loans and advances to credit institutions include cash balance at other credit institutions and loans and advances to credit institutions;
- (2) Securities investments do not include Financial assets with repurchase agreement, i.e. include Financial assets at fair value through profit or loss (€ 3,365,876,836 and €7,153,925,169, as of December 2015 and December 2016, respectively), Available for sale financial assets (€15,620,441,746 and €7,429,511,767, as of December 2015 and December 2016, respectively) and Assets held to maturity (nil as of December 2015 and €433,130,778 as of December 2016);
- (3) Financial assets with repurchase agreement include Securities (€662,300,110 and €564,901,758, as of December 2015 and December 2016, respectively) and Loans (€418,865,610 and €234,829,823, as of December 2015 and December 2016, respectively);
- (4) Other Assets include Investment in properties, Hedging derivatives and Other assets, according to the Consolidated Balance Sheet, page 160 of CGD's Annual Report;
- (5) Other liabilities include Hedging Derivatives, Current tax liabilities, Deferred tax Liabilities and Other liabilities, according to the Consolidated Balance Sheet, page 160 of CGD's Annual Report.

Securities Investments (consolidated) ⁽¹⁾	31 December	31 December	Change	
	2015	2016	Total	
	(€ million)			(%)
Fin. assets at fair value through profit or loss.....	3,366	7,154	3,788	112.5
Available for sale financial assets ⁽²⁾	16,283	7,994	(8,288)	(50.9)
Held-to-maturity investments	0	433	433	—
Total	19,649	15,581	(4,067)	(20.7)

Notes:

- (1) After impairment and includes assets with repo agreements and trading derivatives;
- (2) Available for sale financial assets include Available for sale financial assets (€15,620,441,746 and €7,429,511,767, as of December 2015 and December 2016, respectively) and Financial assets with repurchase agreement - Securities (€662,300,110 and €564,901,758, as of December 2015 and December 2016, respectively).

Loan to Deposit Ratio (€ million)



Loans and advances to customers (net) decreased from approximately €65.8 billion in 31 December 2015 to €62.9 billion (minus 4.4 per cent.) in 31 December 2016, while customer deposits³ decreased from approximately €73.0 billion to €69.4 billion (minus 5.2 per cent.) when compared to the same period. This means that the loan-to deposit ratio at 31 December 2016 was 90.6 per cent. in comparison to that at 31 December 2015 of 90.1 per cent..

Asset Quality (consolidated)	31 December 2015	31 December 2016
	(€ million)	
Total credit ⁽¹⁾	70,957	68,500
Loans and adv. to customers (not overdue)	65,562	63,552
Overdue credit and interest ⁽¹⁾	5,395	4,949
Of which: more than 90 days overdue ⁽²⁾	5,086	4,546
Loan impairment ⁽¹⁾	5,198	5,633
Credit net of impairment	65,759	62,867
Ratios		
Non-performing credit ratio ^{(3) (4)}	9.3 %	8.4%
Non-performing credit net/Total credit net ⁽³⁾	2.2 %	0.2%

³ Customer deposits correspond to the aggregate balance sheet value of “Customer resources and other loans” and comprise Customer deposits (€69,357.01 million), Loans and Interest on loans (€69.28 million), Cheques and orders payable (€92.79 million), Operations with repurchase agreement (€158.96 million) and Other customer resources (€1.97 million)

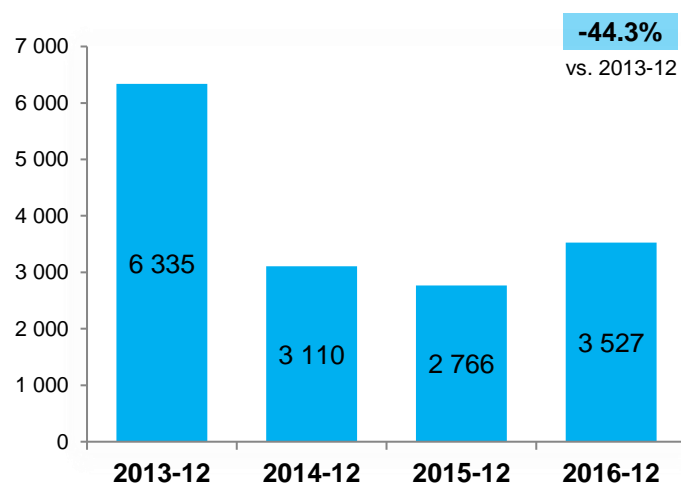
Asset Quality (consolidated)	31 December 2015	31 December 2016
	(€ million)	
Credit at risk ratio ^{(3) (4)}	11.5 %	10.5%
Credit at risk ratio net/Total credit net ⁽³⁾	4.5 %	2.4%
Overdue credit/Total credit	7.6 %	7.2%
Cr. overdue for more than 90 days/Total cred.	7.2 %	6.6%
Restructured credit/Total Credit	10.0%	9.0%
Restr. Cred. Not incl. at risk/Total crd.	5.6%	4.2%
Non-performing credit coverage ⁽⁴⁾	78.4 %	98.0%
Credit at risk coverage ⁽⁴⁾	63.9 %	79.0%
Accumulated impairment/Overdue credit	96.3 %	113.8%
Coverage ratio on credit more than 90 days overdue ⁽⁴⁾	102.2 %	123.9%
Loan impairment (P&L)/Loans & advances customers (average)	0.8 %	3.4%

Notes:

- (1) Please refer to Note 12. Loans and Advances to Customers of the Annual Report 2016 (page 218);
- (2) Please refer to Note 12. Loans and Advances to Customers of the Annual Report 2016 (page 220, corresponds to the total of overdue loans and interests minus overdue loans up to three months);
- (3) Indicators calculated under the Bank of Portugal Instruction 23/2012;
- (4) Definition included in the Annex – Alternative Performance Measures.

ECB Funding

(€ million)



The CGD's financing from the ECB⁴ increased by €761 million when comparing the figures from 31 December 2015 to €3,527 million (4 per cent. of the CGD Group's total funding) at 31 December 2016. This increase was complemented by an increase in the eligible assets portfolio included in the Eurosystem pool, which increased from €11,604 million as at 31 December 2015 to €12,347 million as at 31 December 2016.

Capital Management – Solvency

	31 December 2015	31 December 2016
	(€ million)	
Shareholder's Equity		
Share capital	5,900	5,900
Fair value reserves	259	(38)
Other reserves and retained earnings	(691)	(984)
Non-controlling interests	887	864
Net income	(171)	(1,860)
Total	6,184	3,883

⁴ Funds obtained from ECB under the Eurosystem's Open Market Operations in accordance with Bank of Portugal Instruction 3/2015. As of 31 December 2016, CGD's funding from ECB was €3,527 million, of which €3,497million corresponds to Longer-term Refinancing Operations (TLTRO) and the remaining obtained from the Main Refinancing Operations.

Solvency Ratios (Consolidated) (1)**CRD IV/CRR Regulation**

	31 December 2015	31 December 2016	1 January 2017⁽¹⁾
		(€ million)	
Phased-in			
Own funds			
Common equity tier 1 (CET 1)	6,551	3,858	6,741
Tier 1	6,551	3,859	7,286
Tier 2	859	579	597
Total	7,410	4,437	7,883
Risk weighted assets	60,282	55,015	55,886
Solvency ratios			
CET 1	10.9%	7.0%	12.1%
Tier 1	10.9%	7.0%	13.0%
Total	12.3%	8.1%	14.1%
Fully Implemented			
Own funds			
Common equity tier 1 (CET 1)	6,047	3,000	6,587
Risk weighted assets	60,316	54,542	55,878
CET 1 ratio	10.0%	5.5%	11.8%

Note:

(1) Including the two stages of the recapitalisation process in the first quarter of 2017.

The phased-in common equity tier 1 (CET 1) and total ratios calculated under CRD IV/CRR rules were 7.0 per cent. and 8.1 per cent. respectively, in December 2016.

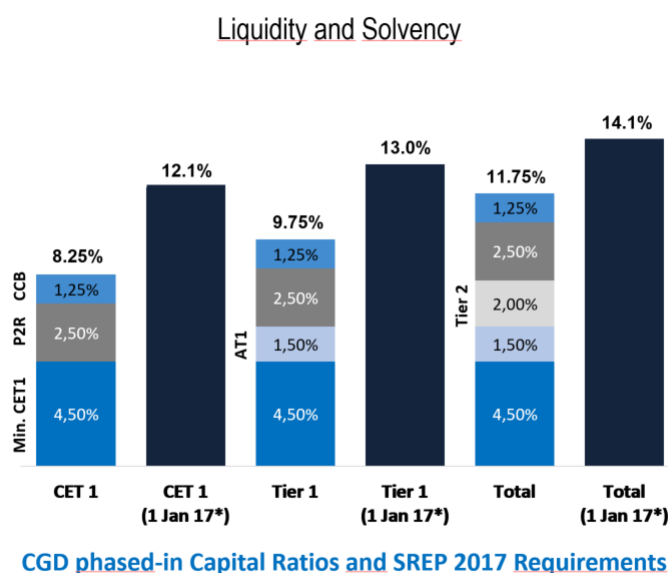
The evolution of CET 1 between December 2015 and December 2016 resulted from the following combined effects:

- The progression, over time, associated with the phased-in leading to regulatory adjustments to several CET 1 components, namely revaluation reserves and non-controlling interests, implying a reduction of around €125.8 million (-21 bps of the phased-in CET 1 ratio);
- The result of CGD's consolidated activity comprising losses of around €1,860 million (-354 bps of the phased-in CET 1 ratio);
- A collection of operations impacting other CET 1 components leading to a reduction of around -11 bps in the phased-in CET 1 ratio.

Considering the recapitalisation operations performed at the beginning of 2017, comprising (i) a share capital increase in kind for the amount of €499 million, corresponding to the book value of the Portuguese State's equity stake in Parcaixa, SGPS, S.A, (ii) the conversion of €945.1 million in subordinated contingent convertible bonds and respective interest into share capital, and (iii) the cash share capital increase of €2.5 billion made by the Portuguese State, in addition to the market issuance of AT1 instruments in the amount of €500 million, the values of the phased-in and fully implemented CET 1 ratios at 1 January 2017 stood at 12.1 per cent. and 11.8 per cent., respectively. In turn, CGD's Tier 1 and Total phased-in ratios at 1 January 2017 stood at 13.0 per cent. and 14.1 per cent., respectively.

The ratios achieved after the recapitalisation operations were above the minimum Supervisory Review and Evaluation Process ("**SREP**") capital requirements for 2017.

CGD's phased-in Capital Ratios and SREP Requirements 2017



* Restated including stage 1 and 2 measures of the Recapitalization Plan

ECB's Capital Requirements for 2017

Based on SREP 2016 results, CGD was notified by the ECB of the minimum capital requirements applicable to it starting on 1 January 2017.

SREP- Capital Requirements

On a consolidated basis regarding the activity, the phased-in CET1 capital requirement of 8.25 per cent. to be complied with includes: i) the minimum CET1 capital ratio of 4.5 per cent. required by Pillar 1; ii) the minimum CET1 capital ratio of 2.5 per cent. required by Pillar 2 and iii) the capital conservation buffer (“CCB”) of 1.25 per cent..

Pursuant to the Bank of Portugal’s notice of 30 November 2017, the Other Systemically Important Institutions (“O-SII”) buffer for CGD was set at 0.25 per cent. for 2018, 0.5 per cent. for 2019, 0.75 per cent. for 2020 and 1 per cent. for 2021. The CCB will increase to 2.5 per cent. in 2019.

In addition to the above mentioned CET1 capital requirement, CGD must achieve a minimum consolidated tier 1 ratio of 9.75 per cent. and a total capital ratio of 11.75 per cent. in 2017 on a consolidated basis.

Domestic and International Activity

Domestic Activity Contribution to Consolidated Profit and Loss⁽¹⁾	31 December 2015	31 December 2016	Change
	<i>(€ million)</i>		<i>(%)</i>
Net interest income including income from equity investment	636.0	658.5	3.5
Results from services and commissions	366.9	349.9	(4.6)
Results from financial operations	229.1	(25.5)	—
Other operating income	70.6	(135.8)	—
Total operating income	1,302.7	847.0	(35.0)
Employee costs	585.7	497.4	(15.1)
Other administrative costs.....	388.3	355.4	(8.5)
Depreciation and amortisation.....	69.4	65.8	(5.2)
Operating costs	1,043.4	918.6	(12.0)
Net operating income before impairments	259.3	(71.6)	—
Provisions and impairments	579.3	2,722.3	369.9
Results from associated companies.....	46.7	46.7	0.1
Results from subsidiaries held for sale	(1.6)	0.0	—
Net Income before tax and non-controlling interest	(275.0)	(2,747.2)	—
Tax.....	18.7	(830.3)	—
Non-controlling interest	17.2	(1.7)	—
Net income	(310.8)	(1,915.2)	—

Note:

(1) Pure intragroup transactions with no impact on consolidated net income are not eliminated.

Activity and Financial Information for the first half of 2017

Consolidated Income Statement

	30 June 2016	30 June 2017	Change	(%)
	<i>(€ thousand)</i>		<i>Total</i>	
Interest and similar income	1,351,368	1,240,799	(110,568)	(8.2)
Interest and similar expenses	796,521	584,847	(211,674)	(26.6)
Net interest income	554,847	655,952	101,105	18.2
Income from equity instruments	29,640	23,786	(5,855)	(19.8)
Net interest inc. incl. inc. from eq. invest				
(1)	584,487	679,738	95,250	16.3
Income from services and commissions	282,661	283,695	1,034	0.4
Costs of services and commissions	58,224	59,031	806	1.4
Results from services rendered and commissions	224,437	224,665	228	0.1
Results from financial operations	(49,253)	275,514	324,768	—
Other operating income	(24,859)	(25,810)	(950)	—
Non-interest income (1)	150,325	474,369	324,045	215.6
Total Operating Income	734,812	1,154,107	419,295	57.1
Employee costs	366,939	396,810	29,870	8.1
Other administrative costs	213,171	192,269	(20,902)	(9.8)
Depreciation and amortisation	46,497	49,108	2,611	5.6
Operating costs	626,608	638,187	11,579	1.8
Net Operating Income before				
Impairments (1)	108,204	515,920	407,716	376.8
Loan impairment net of reversals and recoveries (1)	301,799	54,763	(247,036)	(81.9)
Provisions and impairments of other assets (net) (2)	25,898	343,744	317,845	1227.3
Provisions and impairments	327,697	398,506	70,809	21.6
Net operating income	(219,493)	117,414	336,907	—
Income Tax	(14,364)	165,961	180,325	—
Current (1) (3)	63,822	110,433	46,611	73.0
Deferred (1) (4)	(117,884)	18,662	136,545	—

Special contrib. on the banking sector ⁽¹⁾ (5)	39,698	36,866	(2,832)	(7.1)
Net operating income after tax and before non-controlling interests	(205,129)	(48,547)	156,582	—
Non-controlling interests.....	24,619	19,683	(4,936)	(20.0)
Results of associates and jointly controlled entities	19,920	11,006	(8,914)	(44.7)
Results of subsidiaries held for sale.....	4,585	7,300	2,715	59.2
Net income attributable to the shareholders of CGD	(205,243)	(49,925)	155,318	—

Notes:

- (1) Definition included in the Annex – Alternative Performance Measures;
- (2) Provisions and impairments of other assets (net) include Provisions net of reversals and Other asset impairments net of reversals and recoveries;
- (3) Please refer to Note 16. Income Tax of 1st Half Report 2017 (page 123), includes current tax of the year plus prior year adjustments;
- (4) Please refer to Note 16. Income Tax of 1st Half Report 2017 (page 123);
- (5) Please refer to Note 16. Income Tax of 1st Half Report 2017 (page 126).

As at 30 June 2017 the CGD's core net operating income before impairment (sum of net interest income and income from services and commissions deducted of recurrent operating costs)⁵ amounted to €303.4 million, up 75.7 per cent. over 30 June 2016 due to growth of net interest income and the reduction of recurrent operating costs.

Net interest income, benefitting from the 26.6 per cent. reduction of €211.7 million in funding costs, was up 18.2 per cent. by €101.1 million as at 30 June 2016 to €656.0 million. A part of this effect (€43.4 million) derives from the cancellation of the contingent convertible ("CoCo") bonds in the context of the recapitalisation measures.

Results from services and commissions – contribution by business areas (consolidated)	Change			
	30 June 2016	30 June 2017	Total	
	(€ million)			(%)
CGD Portugal	148.9	159.2	10.3	6.9
International operations.....	57.4	51.1	(6.2)	(10.9)

⁵ Recurrent operating costs mean Operating costs less Non-recurrent restructuring operating costs.
Non-recurrent restructuring operating costs amounted to €61 million in June 2017 and €20 million in June 2016..

Results from services and commissions – contribution by business areas (consolidated)	Change			
	30 June 2016	30 June 2017	Total	
	(€ million)			(%)
Investment banking	16.8	12.0	(4.8)	(28.6)
Asset management	9.3	9.8	0.4	4.8
Other	(7.9)	(7.4)	0.5	—
Total	224.4	224.7	0.2	0.1

Results of €224.7 million from services and commissions for the six months ended 30 June 2017 were slightly up by 0.1 per cent. over the same period in 2016.

Results from financial operations as at 30 June 2017 amounted to €275.5 million, compared to the losses of €49.3 million made in the first half of 2016. This amount essentially reflects gains from changes in interest rates and the management of risk hedging instruments.

Total operating income, with positive contributions from net interest income and results from financial operations, was up 57.1 per cent. by €419.3 million compared to the the six months ended 30 June 2016 to €1,154.1 million.

Operating costs as at 30 June 2017, notwithstanding the reduction of their administrative costs component, were up 1.8 per cent. when compared to the six months ended 30 June 2016, translating the impact of non-recurrent employee costs of €61.0 million (€44.3 million net of tax), in respect of the provisions for the pre-retirements and termination by mutual agreement programmes.

Operating Costs (consolidated)	Change			
	30 June 2016	30 June 2017	Total	
	(€ million)			(%)
Employee costs	366.9	396.8	29.9	8.1
Other administrative costs	213.2	192.3	(20.9)	(9.8)
Depreciation and amortisation	46.5	49.1	2.6	5.6
Total	626.6	638.2	11.6	1.8

Excluding the impact referred to above in respect of non recurrent employee costs, operating costs would have been down 4.9 per cent. for the six months ended 30 June 2017, leading to a reduction of the cost-to-income ratio to 49.5 per cent. for the six months ended 30 June 2017. The cost-to-core income ratio was 65.5 per cent. as at 30 June 2017.

Efficiency ratios (consolidated)	30 June 2016	30 June 2017
	(%)	
Cost-to-income BdP ⁽²⁾	83.0	54.8
Cost-to-income ^{(1) (2) (3)}	80.4	49.5
Cost-to-core income ^{(1) (4)}	77.8	65.5
Employee costs/Total Operating Income ^{(1) (3)}	49.9	34.4
Employee costs recurrents ⁽¹⁾ /Total operating income ⁽²⁾	47.2	29.1
Other administrative costs/Total Operating Income	29.0	16.7

Notes:

- (1) Ratios defined by the Bank of Portugal (instruction 23/2012);
- (2) Excluding the non-recurrent costs related to the early retirement program and the program of contract termination by mutual agreement, in the amount of € 20M and € 61M in 30 June 2016 and 30 June 2017, respectively;
- (3) Definition included in the Annex – Alternative Performance Measures;
- (4) Operating costs / (Net interest income + Results from services and commissions).

Net operating income before impairment of €515.9 million was up €407.7 million in comparison to the first half of 2016. The generalised improvement across all business areas was more significant in the domestic activity, with increases of €270.2 million and €111.7 million in the contribution from the commercial banking and investment banking divisions, respectively.

			Change	
Net operating income before impairments contribution (consolidated)	30 June 2016	30 June 2017	Total	
	(€ million)			(%)
Domestic commercial banking	(97.9)	172.3	270.2	—
International activity	198.2	206.7	8.6	4.3
Investment banking	(13.0)	98.7	111.7	—
Other	21.0	38.2	17.2	81.7
Net Operating Income before Impairments.....	108.2	515.9	407.7	376.8

In the sphere of international activity, reference should be made to the contributions to net operating income before impairments of the following business units, in the first half of 2017: France Branch (€34.4 million), BNU Macau (€33.8 million), BCG Angola (€36.0 million) and CGD Investimentos, CVC (€52.4 million). Core net operating income before impairment (including net interest income plus

results from services and commissions minus recurrent operating costs), amounted to €303.4 million as at 30 June 2017, up 75.7 per cent. when compared with the six months ended 30 June 2016.

Provisions and impairment for the six months ended 30 June 2017 were up 21.6 per cent. compared to the same period of the preceding year to €398.5 million. A particularly important contribution was made by provisions and impairments of other assets (net) of €343.7 million as at 30 June 2017, of which €322.0 million were non-recurrent and related to the restructuring disposal of international activities.

Provisions and impairment (consolidated)	30 June 2016	30 June 2017	Change	
			Total	(%)
	(€ million)			
Provisions (net) ⁽¹⁾	(17.4)	317.8	335.2	—
Loan impairment ⁽²⁾	301.8	54.8	(247.0)	(81.9)
impairments of other financial assets ⁽³⁾	44.8	36.0	(8.8)	(19.6)
impairments of other assets ⁽⁴⁾	(1.4)	(10.1)	(8.6)	—
Provisions and impairments for period	327.7	398.5	70.8	21.6

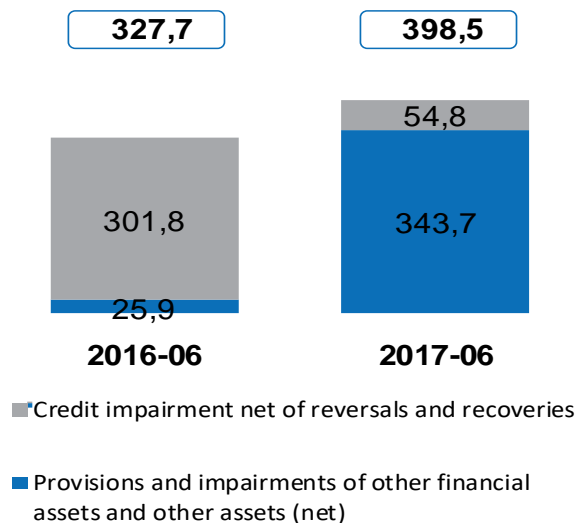
Notes:

- (1) Please refer to Note 21. Provisions and Contingent Liabilities of 1st Half Report 2017 – total of the column Additions and reversals. (page 137);
- (2) Please refer to Note 34. Assets Impairment of 1st Half Report 2017 (page 168) corresponds to the sum of Additions and reverseals and Credit recovery, interest and expenses;
- (3) Please refer to Note 34. Assets Impairment of 1st Half Report 2017 (page 168), Impairments of other financial assets comprise: Impairment of other assets €36.494 million), Impairment of available for sale financial assets: equity instruments €1.512 million), debt instruments (-€3.885 million) and other instruments (1.709 million; as of June 2017 there was an amount of €161 thousand that are classified as Impairments of other assets that is Impairment of other financial assets; As of June 2016 Impairment of other financial asset comprised Impairment of loans and advances to credit institutions (- €2.369 million), the financial component included in Impairment of other assets (€14.138 million), Impairment of available for sale financial assets: equity instruments (€32 million), debt instruments €489 million) and other instruments (€32.466 million);
- (4) Impairments of other assets comprise Impairment of other tangible assets (€2.122 and -€1.961 million, as of December 2015 and December 2016, respectively), impairment of other intangible assets (nul as of December 2015 and -€2.809 million as of December 2016) and Impairment of non-current assets held for sale (€-13.089 million and -5.129 million, as of December 2015 and December 2016, respectively); as of June 2017 there was an amount of €161 thousand that are classified as Impairments of other assets that is Impairment of other financial assets; As of June 2016 Impairment of other asset comprised Impairment of Other tangible assets (€2.122 million), the non-financial component included in Impairment of other assets (€9.535 million), Impairment of non-current assets held for sale (-€13.089 million).

Provisions and Impairments of other financial assets and other assets for the six months ended 30 June 2016 and

30 June 2017

€ million



The cost of credit risk ⁶for the six months ended 30 June 2017 of 0.16 per cent., confirms the expected downwards trajectory, following the assessment of the assets value exercise performed at the end of 2016.

Income before tax and non-controlling interests as at 30 June 2017 amounted to €117.4 million in comparison to a negative value of €219.5 million reached in the first half of 2016.

CGD's total tax liability totalled €166.0 million as at 30 June 2017 of which, €36.9 million was due to special banking sector contribution (i.e. special tax imposed on the banking sector).

Considering the evolution described above, the net income for the six months ended 30 June 2017 was minus €49.9 million.

Balance Sheet

CGD's balance sheet for the six months ended 30 June 2017 was impacted by the already mentioned recapitalisation operations, the financial settlement of which occurred on 30 March 2017 and which was the main reason for the €2,461 million increase of net assets since 31 December 2016.

The increase occurred mainly in cash and claims at the European Central Bank and other central

⁶ Definition included in the Annex – Alternative Performance Measures.

banks and in securities investments, counterbalanced by the reduction in loans and advances to customers.

CGD Group's Consolidated Net Assets

	Total	Structure	Total	Structure	Total	Structure
	30 June 2016		31 December 2016		30 June 2017	
			(€ million)			
Caixa Geral de Depósitos ⁽¹⁾	69,962	70.4 %	64,242	68.7 %	67,794	70.6%
Banco Caixa Geral (Spain).....	4,761	4.8 %	4,907	5.2 %	4,840	5.0%
Banco Nacional Ultramarino, SA (Macau)	5,694	5.7 %	6,217	6.6 %	5,671	5.9%
Caixa Banco de Investimento	1,465	1.5 %	1,296	1.4 %	1,272	1.3%
Caixa Leasing e Factoring	2,452	2.5 %	2,397	2.6 %	2,357	2.5%
Banco Comercial Investimento (Mozambique)	1,845	1.9 %	1,816	1.9 %	2,101	2.2%
Banco Comercial do Atlântico (Cape Verde).....	732	0.7 %	744	0.8 %	752	0.8%
Mercantile Lisbon Bank Holdings (South Africa)	662	0.7 %	836	0.9 %	859	0.9%
BCG Angola.....	1,859	1.9 %	1,712	1.8 %	1,523	1.6%
Other companies ⁽²⁾	9,924	10.0 %	9,379	10.0 %	8,838	9.2%
Consolidated net assets	99,355	100.0 %	93,547	100.0 %	96,008	100.0%

Notes:

(1) Separate activity.

(2) Includes units consolidated by the equity accounting method.

Consolidated Balance Sheet

				Change		Change	
	30 June 2016	31 December 2016	30 June 2017	30 June 2017 vs 30 June 2016		30 June 2017 vs 31 December 2016	
				Total	(%)	Total	(%)
		(€ million)					
ASSETS.....							
Cash and equiv. with central banks	1,503	1,841	4,438	2,936	195.4	2,598	141.1
Loans and advances to	3,642	3,976	3,832	190	5.2	(143)	(3.6)

				Change		Change	
	30 June 2016	31 December 2016	30 June 2017	30 June 2017 vs 30 June 2016		30 June 2017 vs 31 December 2016	
		(€ million)		Total	(%)	Total	(%)
credit instit ⁽¹⁾							
Loans and advances to customers.....	64,931	62,867	60,476	(4,455)	(6.9)	(2,391)	(3.8)
Securities investments ⁽²⁾	20,137	15,017	18,202	(1,935)	(9.6)	3,185	21.2
Financial assets with repurchase agreement ..	856	800	330	(525)	(61.4)	(469)	(58.7)
Non-current assets held for sale	749	1,426	1,427	678	90.4	1	0.1
Inv. In associates and jointly controlled entities	267	312	362	95	35.6	50	16.0
Intangible assets and other tangible assets	707	693	661	(46)	(6.4)	(32)	(4.6)
Current tax assets.....	41	42	52	11	27.6	10	24.3
Deferred tax assets.....	1,559	2,546	2,487	928	59.5	(59)	(2.3)
Other assets ^{(2) (3)}	4,964	4,029	3,740	(1,224)	(24.7)	(289)	(7.2)
Total assets	99,355	93,547	96,008	(3,347)	(3.4)	2,461	2.6
LIABILITIES							
Central banks' and cred. inst. resources	5,769	5,800	5,337	(431)	(7.5)	(462)	(8.0)
Customer resources and other loans	72,442	69,680	69,915	(2,527)	(3.5)	235	0.3
Financial liabilities at fair value through profit or loss	2,262	1,695	1,266	(996)	(44.0)	(430)	(25.3)
Debt securities	6,117	4,184	4,078	(2,039)	(33.3)	(105)	(2.5)
Provisions for employee benefits and provisions for other risks	896	1,127	1,465	570	63.6	338	30.0
Other subordinated liabilities	2,400	2,424	1,470	(929)	(38.7)	(954)	(39.4)
Other liabilities ⁽⁴⁾	3,726	4,754	4,582	856	23.0	(172)	(3.6)
Total liabilities	93,610	89,664	88,113	(5,497)	(5.9)	(1,551)	(1.7)
Shareholders' equity	5,745	3,883	7,895	2,150	37.4	4,012	103.3
Total	99,355	93,547	96,008	(3,347)	(3.4)	2,461	2.6

Notes:

- (1) Loans and Advances to Credit Institutions include Loans and advances to credit institutions (balance sheet) and cash balance at other credit institutions (balance sheet);
- (2) Definition included in the Annex – Alternative Performance;
- (3) Other Assets include Other assets (balance sheet asset side), Hedging derivatives (balance sheet asset side);
- (4) Other Liabilities include Other liabilities (balance sheet, liabilities side), Hedging derivatives (balance sheet, liabilities side), Deferred tax liabilities (balance sheet, liabilities side) and Current tax liabilities (balance sheet, liabilities side) and Non-current liabilities held for sale (balance sheet, liabilities side).

Total securities investments, including assets with repurchase agreements and trading derivatives, in June 2017, were up 18.9 per cent. by €2,951 million compared to December last year. This investment resulted from the funds arising from CGD's capital increase (€2,500 million), as well as the AT1 instruments issuance of €500 million, reinforcing the diversification of the securities portfolio.

Securities Investments (consolidated)⁽¹⁾

	30 June 2016	31 December 2016	30 June 2017
		(€ million)	
Fin. assets at fair value through profit or loss.....	6,734	7,154	8,227
Available for sale financial assets ⁽²⁾	13,668	7,994	8,248
Held-to-maturity investments	238	433	2,057
Total	20,640	15,581	18,532

Notes:

- (1) After impairment;
(2) Available for sale financial assets include Financial assets with repurchase agreements (component not related to loans and advances to customers) totaling €502.9 million ((June 2016), €564.9 million (December 2016) and €330.4 million (June 2017)

Loans and advances to customers were down 4.9 per cent. compared to December 2016 to €65,366 million as at 30 June 2017. Lending to companies and individual customers, in the case of CGD's activity in Portugal, were down 8.6 per cent. and 2.3 per cent. respectively when comparing the figures from 31 December 2016 with the six months ended 30 June 2017.

Loans and Advances to Customers (consolidated)⁽¹⁾

	30 June 2016	31 December 2016	30 June 2017	Change		Change	
				Total	(%)	Total	(%)
				30 June 2017 vs 30 June 2016		30 June 2017 vs 31 December 2016	
				(€ million)			
Companies.....	29,777	27,632	24,830	(4,947)	(16.6)	(2,802)	(10.1)
General government.....	5,499	6,839	7,089	1,590	28.9	250	3.7
Individual customers.....	35,398	34,264	33,447	(1,951)	(5.5)	(817)	(2.4)
Mortgage loans.....	32,505	31,542	30,733	(1,772)	(5.5)	(809)	(2.6)
Other ..	2,893	2,722	2,714	(179)	(6.2)	(8)	(0.3)
Total	70,674	68,735	65,366	(5,308)	(7.5)	(3,369)	(4.9)

Note:

- (1) Before impairment and including repurchase agreements.

The 10.1 per cent. reduction of €2,802 million from 31 December 2016 to 30 June 2017 of the

balance on loans and advances to corporate customers expressed the weak demand for bank lending from this segment, as the volume of repayments and settlements was higher than the production of new transactions. The write-offs and the sales of credits also contributed to this decline.

In the same period, the activity sectors most affected were the construction sector and real estate (down 10.6 per cent. by €975 million) and financial activities and others (down 14.0 per cent. by €1,226 million).

Loans and Advances to Corporates by Sectors of Activity (consolidated)⁽¹⁾

				Change		Change	
		31					
	30 June	December	30 June	Total	(%)	Total	(%)
	2016	2016	2017				
				30 June 2017 vs 30 June 2016		30 June 2017 vs 31 December 2016	
			(€ million)				
Agriculture, forestry and fishing	578	572	504	(74)	(12.8)	(68)	(11.9)
Mining and manufacturing.....	4,108	3,443	3,282	(826)	(20.1)	(160)	(4.7)
Construction and real estate activities	10,687	9,199	8,224	(2,463)	(23.0)	(975)	(10.6)
Electricity, gas and water	1,351	1,373	1,132	(219)	(16.2)	(241)	(17.5)
Wholesale and retail trade.....	3,240	2,581	2,637	(603)	(18.6)	56	2.2
Transports and warehousing.....	1,141	1,692	1,503	362	31.8	(188)	(11.1)
Financial activities and other.....	8,672	8,772	7,547	(1,125)	(13.0)	(1,226)	(14.0)
Total	29,777	27,632	24,830	(4,947)	(16.6)	(2,803)	(10.1)

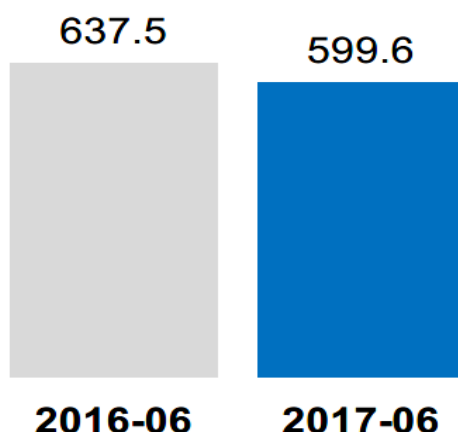
Note:

(1) Before impairment and including repurchase agreements.

As at 30 June 2017, loans and advances to individual customers have decreased 2.4 per cent. by €817 million in comparison to 31 December 2016, totaling €33,447 million as at 30 June 2017, mainly resulting from the reduction of mortgage loans by 2.6 per cent. by €809 million, mainly due to a volume of repayments and settlements that was higher than that of new transactions.

Mortgage Credit - Branch Office Network (Domestic) - New Operations

(€ million)



Considering CGD's domestic operations, the production of new mortgage loans for the six months ended 30 June 2017 totalled 6,730 operations amounting to €599.6 million (down 6.0 per cent. by €38 million when compared to the six months ended 30 June 2016).

During the six months ended 30 June 2017, there was a positive evolution of CGD's asset quality, with Non-Performing Exposure ("NPE"- in accordance with the EBA definition) and Non – Performig Loans ("NPLs", also in accordance with the EBA definition), values decreasing 11 per cent. and 14 per cent. respectively in comparison to December 2016. Therefore, the NPE ratio reduced to 10.6 per cent. and NPL ratio to 13.5 per cent. at 30 June 2017, with the impairment coverage of 51.1 per cent. and 52.0 per cent., respectively. In the domestic market, the coverage level was 54.7 per cent. for NPE and 55.2 per cent. for NPL for the six months ended 30 June 2017.

Credit quality (consolidated)

	30 June 2016	31 December 2016	30 June 2017
		(€ million)	
Total credit ⁽¹⁾	70,321	68,500	65,366
Loans and adv. to customers (outstanding) ⁽¹⁾	64,641	63,552	60,286
Overdue credit and interest ⁽¹⁾	5,680	4,949	5,081
Of which: more than 90 days overdue ⁽²⁾	5,222	4,546	4,707
Loan impairment	5,390	5,633	4,891
Credit net of impairment	64,931	62,867	60,476
Ratios			
Non-performing credit ratio ⁽³⁾⁽⁴⁾	9.8%	8.4%	8.1%
Non-performing credit ratio net ⁽³⁾⁽⁴⁾	2.3%	0.2%	0.6%

		31 December	
	30 June 2016	2016	30 June 2017
Credit at risk ratio ⁽³⁾⁽⁴⁾	12.2%	10.5%	9.8%
Credit at risk net/Total credit net ⁽³⁾⁽⁴⁾	4.9%	2.4%	2.5%
Cr. overdue for more than 90 days ratio ⁽³⁾	7.4%	6.6%	7.2%
NPE ratio ⁽⁵⁾	12.0%	12.1%	10.6%
NPL ratio ⁽⁶⁾	16.6%	15.8%	13.5%
Non-performing credit coverage	77.8%	97.4%	92.6%
Credit at risk coverage	62.7%	78.5%	76.5%
Coverage ratio on credit more than 90 days overdue	103.2%	123.9%	103.9%
NPE coverage by impairment	45.7%	52.9%	51.1%
NPL coverage by impairment	46.9%	52.8%	52.0%
Crd. imp. (P&L) / Loans & adv. custom. (aver.)	0.86%	3.42%	0.16%

Notes:

- (1) Please refer to Note 12. Loans and Advances to Costumers of 1st Half Report 2017 (page 110);
- (2) Please refer to Note 12. Loans and Advances to Costumers of 1st Half Report 2017 (page 112, corresponds to the total of overdue loans and interests minus overdue loans up to three months;
- (3) Definition included in the Annex – Alternative Performance;
- (4) Ratios defined by the Bank of Portugal (instruction 23/2012);
- (5) NPE - Non performing exposure - EBA definition;
- (6) NPL - Non performing loans - EBA definition.

The restructured credit ratio⁷, calculated in accordance with Bank of Portugal criteria stood at 7.8 per cent. as of 30 June 2017, decreasing in comparison to 31 December 2016. The credit at risk ratios, also calculated in accordance with Bank of Portugal criteria, was down to 9.8 per cent., with coverage ratio on credit at risk ⁸ of 76.7 per cent. (49.2 per cent. and 99.1 per cent. in loans to individuals and to companies, respectively). The credit overdue for more than 90 days ratio was 7.2 per cent. as of 30 June 2017, and the respective impairment coverage was 103.9 per cent..

During the period between 1 January 2017 and 30 June 2017, total liabilities were down 1.7 per cent. by €1,551 million when compared to the year ending 31 December 2016. Special reference should be made to the 39.4 per cent. reduction of €954 million in other subordinated liabilities and the 8.0 per

⁷ Definition included in the Annex – Alternative Performance.

⁸ Definition included in the Annex – Alternative Performance.

cent. decrease of €462 million in central banks' and other credit institutions' resources.

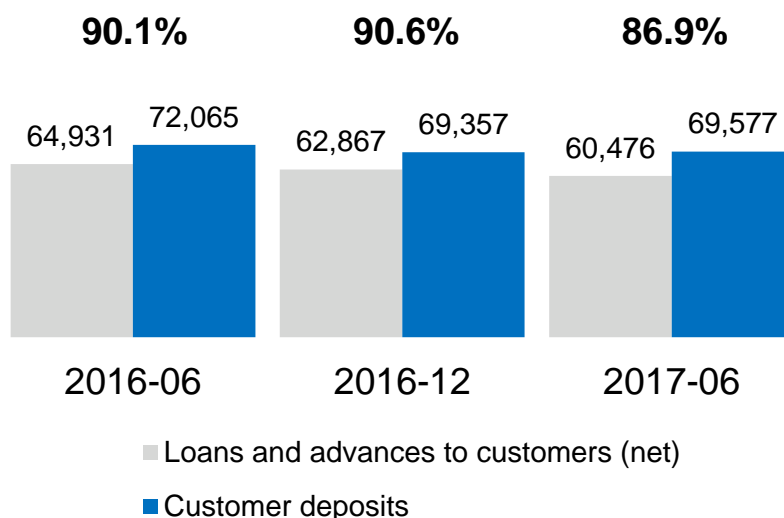
For the same period, resources from customers were up 0.3 per cent. by €235 million in comparison to the year ending 31 December 2016 to €69,915 million. Reference should be made to the increase of customer deposits from domestic operations, up 2.6 per cent. by €1.397 million.

The loans-to-deposits ratio of 86.9 per cent. as at 30 June 2017, against 90.6 per cent. as at 31 December 2016, reflected CGD's customer retention capacity even in an environment of very low interest rates on deposits.

Loans-to-deposits ratio

The chart below shows the evolution of the ratio between loans and deposits:

(€ million)



Total resources taken in the consolidated perimeter were down 1 per cent. by €1,162 million during 2016 to €109,521 million, influenced by the cancellation of CoCo bonds (down €900 million). Special reference should also be made, in the case of balance sheet resources, to the increase in customer deposits in the case of domestic activity (up 2.6 per cent. by €1,397 million in the period from 31 December 2016 to 30 June 2017). In the same period off-balance sheet resources continued to be around €29 billion (up 0.4 per cent.).

Benefiting mainly from the favourable trend for customer deposits, total resources in domestic activity totalled, as at 30 June 2017, €69,532 million, evidencing an increase of 3.4 per cent., in the amount of €2,254, since 31 December 2016.

Resources Taken (consolidated)

				Change		Change	
	30 June 2016	31	30 June 2017	Total	(%)	Total	(%)
		December					
		2016					
				30 June 2017 vs 30 June 2016	30 June 2017 vs 31 December 2016		
(€ million)							
Balance sheet.....	86,727	82,088	80,801	(5,926)	(6.8)	(1,287)	(1.6)
Central banks' & Cred. Inst.' resourc. ...	5,769	5,800	5,337	(431)	(7.5)	(462)	(8.0)
Customer deposits	72,065	69,357	69,577	(2,488)	(3.5)	220	0.3
Domestic activity...	55,449	53,184	54,581	(868)	(1.6)	1,397	2.6
International activity.....	16,616	16,173	14,996	(1,620)	(9.7)	(1,177)	(7.3)
Covered bonds	5,412	3,854	3,805	(1,608)	(29.7)	(50)	(1.3)
Conting. convert. bonds (CoCos)	900	900	0	(900)	(100.0)	(900)	(100.0)
EMTN and other securities	2,204	1,854	1,744	(460)	(20.9)	(110)	(5.9)
Other	377	323	338	(39)	(10.4)	15	4.5
Off-balance sheet	27,830	28,596	28,721	891	3.2	125	0.4
Investment funds	3,698	3,519	3,519	(178)	(4.8)	0	0.0
Real estate investment funds	1,160	950	969	(191)	(16.5)	19	2.0
Pension funds.....	3,315	3,440	3,639	324	9.8	198	5.8
Wealth management.	19,305	19,271	18,503	(802)	(4.2)	(768)	(4.0)
Treasury bonds.....	352	1,415	2,091	1,739	494.2	676	47.8
Total	114,557	110,683	109,521	(5,035)	(4.4)	(1,162)	(1.0)
Total Resources in Domestic Activity ⁽¹⁾	68,421	67,278	69,532	1,112	1.6	2,254	3.4

Note:

(1) Includes customer deposits, investment funds, financial insurance, floating rate bonds and other bonds.

Customers Resources (consolidated)

	30 June 2016	31 December 2016	30 June 2017	Change		Change	
				Total	(%)	Total	(%)
				30 June 2017 vs 30 June 2016		30 June 2017 vs 31 December 2016	
				(€ million)			
Customers deposits	72,065	69,357	69,577	(2,488)	(3.5)	220	0.3
Sight deposits	25,070	25,031	27,179	2,109	8.4	2,148	8.6
Term and savings deposits	46,693	44,024	42,144	(4,548)	(9.7)	(1,880)	(4.3)
Mandatory deposits	302	302	254	(48)	(15.9)	(48)	(15.9)
Other resources	377	323	338	(39)	(10.4)	15	4.5
Total	72,442	69,680	69,915	(2,527)	(3.5)	235	0.3

By category, term deposits and savings accounts, as at 30 June 2017, comprised €42,144 million (61 per cent.) of the total customer deposits.

Debt Securities (consolidated)

	30 June 2016	31 December 2016	30 June 2017	Change		Change	
				Total	(%)	Total	(%)
				30 June 2017 vs 30 June 2016		30 June 2017 vs 31 December 2016	
				(€ million)			
EMTN programme issues ⁽¹⁾	588	329	275	(313)	(53.2)	(54)	(16.3)
Covered bonds	5,411	3 853	3,803	(1,607)	(29.7)	(50)	(1.3)
Other	118	2	0	(118)	(100.3)	(2)	(120.1)
Total	6,117	4184	4,078	(2,039)	(33.3)	(105)	(2.5)

Note:

(1) Does not include issuances classified as subordinated liabilities.

Debt securities were down 33.3 per cent. by €2,039 million compared to the six months ended 30 June 2016 to €4,184 million. This downwards trajectory has been in force over the last few years and derived from the fact that several issuances under CGD's Euro Medium Term Note programme have reached their maturity, without the need to refinance them on the capital markets.

Subordinated Liabilities (consolidated)

	30 June 2016	31 December 2016	30 June 2017	Change		Change	
				total	(%)	Total	(%)
				30 June 2017 vs 30 June 2016		30 June 2017 vs 31 December 2016	
				(€ million)			
EMTN programme issues ⁽¹⁾	1,026	1,014	1,005	(21)	(2.0)	(8)	(0.8)
Contingent convertible (Coco) bonds	900	900	0	(900)	(100.0)	(900)	(100.0)
Other	473	510	465	(8)	(1.8)	(46)	(9.0)
Total	2,400	2,424	1,470	(929)	(38.7)	(954)	(39.4)

Note:

(1) Does not include issuances classified as debt securities.

The outstanding balance of subordinated liabilities decreased by 39.4 per cent. as of 31 December 2016 to €1,470 million, reflecting the cancellation of the CoCo bonds (which had been subscribed by the Portuguese State in 2012) on 4 January 2017.

Liquidity

The first half of the year 2017 was marked by CGD's recapitalisation process, based on the plan agreed between the European Commission and the Portuguese State. Consequently, on 24 March 2017 CGD launched and priced a €500 million Reg S dematerialised perpetual non-call five-year temporary write down Additional Tier One issue, a deeply subordinated bond priced at Ms+1,092.5 bps, at a fixed coupon of 10.75 per cent.. This transaction represents CGD's inaugural AT1 transaction, as part of the 2017 Recapitalisation Plan.

The conditions required for CGD's capital increase by the Portuguese State were accomplished, with CGD being able to tap the market with the AT1 instruments, which enabled CGD to achieve the second phase of its 2017 Recapitalisation Plan, with the completion of a €2.5 billion capital cash increase (by the Portuguese State). In the beginning of 2017, with the capital increase in kind, CGD cancelled €900 million Coco bonds which had been subscribed by the Portuguese State in 2012.

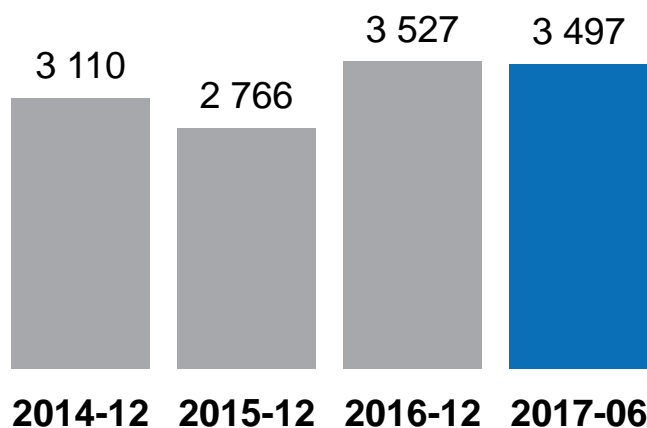
On the basis of the approval of the Strategic Plan submitted by CGD, the European Commission also decided to lift the restriction on discretionary interest payments on subordinated debt, and therefore CGD resumed coupon payments to investors as of March 2017.

The amount of CGD financing from the European Central Bank (“**ECB**”) has remained unchanged at €2 billion since June 2016. The collection of CGD Portugal’s assets eligible for the ECB’s collateral pool remained stable at €10.6 billion.

The total amount of funding from the ECB (TLTRO) of CGD and its subsidiaries was €3.5 billion as at 30 June 2017, which remained practically unchanged in comparison to 31 December 2016, with only a slight decrease of €30 million in the amount of the eligible assets portfolio in the Eurosystem pool. The CGD’s total assets eligible for ECB’s collateral pool has remained stable at €12.3 billion.

ECB Funding

(€ million)



The Liquidity Coverage Ratio (“**LCR**”)⁹ at 30 June 2017 was higher than regulatory requirements, at 222 per cent. in comparison to 176 per cent. at 31 December 2016.

Also confirming the CGD Group’s liquidity position, the Net Stable Funding Ratio (“**NSFR**”)¹⁰ was 137 per cent. at 30 June 2017 (compared to 131 per cent. at 31 December 2016).

Capital Management

Consolidated shareholders’ equity, reflecting the two implemented phases of the 2017 Recapitalisation Plan agreed between the Portuguese State and the European Commission was up €4,012 million as compared to 31 December 2016, totalling €7,895 million as at 30 June 2017.

⁹ Liquidity Coverage Ratio (“**LCR**”) – according to Article 509 of the CRR.

¹⁰ Net Stable Funding Ratio (“**NSFR**”) – according to Article 510 of the CRR.

Shareholder's Equity (consolidated)

	30 June 2016	31 December 2016	30 June 2017
		(€ million)	
Share capital	5,900	5,900	3,844
Other equity instruments	0	0	500
Revaluation reserves.....	111	87	238
Other reserves and retained earnings	(913)	(1,109)	2,999
Non-controlling interests	852	864	364
Net income	(205)	(1,860)	-50
Total	5,745	3,883	7,895

Other equity instruments totalling €500 million refer to securities representing the AT1 instruments, issued at the end of March 2017.

The evolution of other reserves and retained earnings which were up €4,108 million for the six months ended as at 30 June 2017 as compared to 31 December 2016, largely derived from the extinguishing of 1,200 million shares, that occurred at the first phase of the 2017 Recapitalisation Plan, aimed at covering the negative retained earnings and the formation of a free positive reserve.

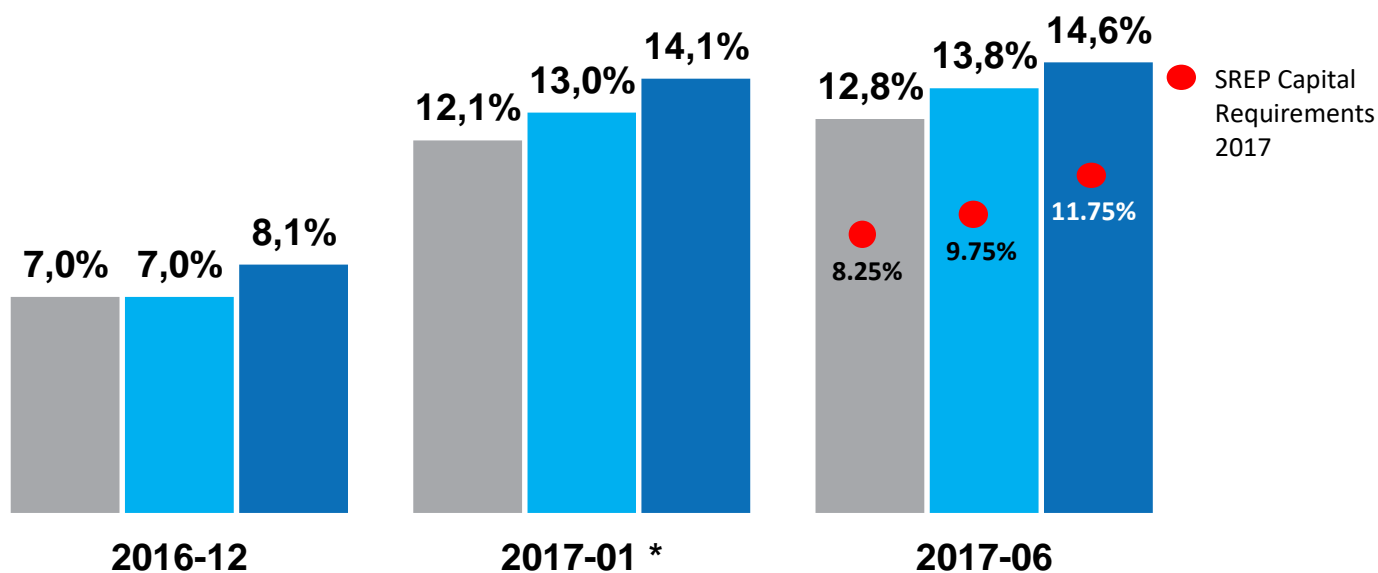
The phased-in and fully implemented CET1 ratios at 30 June 2017 were 12.8 per cent. and 12.6 per cent. respectively with a phased-in Tier 1 and Total ratios of 13.8 per cent. and 14.6 per cent., respectively at 30 June 2017.

Solvency Ratios

	30 June 2016	31 December 2016	30 June 2017
		(€ million)	
<i>Phased-in (CRD IV/CRR)</i>			
Own funds			
Common equity tier 1 (CET 1)	6,009	3,858	6,873
Tier 1	6,013	3,859	7,409
Tier 2	723	579	450
Total	6,736	4,437	7,859
Weighted assets	60,016	55,015	53,723
Solvency ratios			

	30 June 2016	31 December 2016	30 June 2017
CET 1	10.0%	7.0%	12.8%
Tier 1	10.0%	7.0%	13.8%
Total	11.2%	8.1%	14.6%
<i>Fully Implemented (CRD IV/CRR)</i>			
Own funds			
Common equity tier I (CET 1).....	5,502	3,000	6,753
Weighted assets	60,040	54,542	53,659
CET 1 ratio.....	9.2%	5.5%	12.6%

CGD's phased-in capital ratios



* Restated including stage 1 and 2 measures of the Recapitalization Plan

The evolution of the CET1 ratio between 31 December 2016 and 30 June 2017 (as shown above) was essentially explained by the following effects:

- Progression over time associated with phasing-in, leading to regulatory reductions of €358 million in CET1 and €62 million in risk-weighted assets (“**RWA**”) translating into a decrease of 64 basis points in the CET1 ratio;
- Recapitalisation of CGD, resulting in a 569 basis points improvement of the CET1 ratio, with special reference to the effect of the €2.5 billion share capital increase (equivalent to a 481 basis points increase in the CET1 ratio).

Change in own funds resulting from the evolution of activity with a positive influence of €132 million on the CET1 ratio, corresponding to a 25 basis points increase of the CET1 ratio, with special reference to the contribution made by the following components:

- Revaluation reserves (up €115 million, of which €112 million was profit and loss on available-for-sale financial assets), non-controlling interests (up €5 million), gains deriving from a smaller deduction of intangibles and deferred tax assets (€102 million);
- Net result for the period (down €59 million) and other reserves and retained earnings (down €31 million).

For the six months ended 30 June 2017 there was a reduction of €1,292 million in RWA essentially resulting from the decrease of around €2.6 billion in net credit in which asset disposals and write-offs were, inter alia, contributory factors. Irrevocable commitments were also down, particularly at the level of securities subscriptions (€176 million) and bank guarantees (€233 million). Reference should also be made to the reduction of around €120 million of investment in venture capital funds. This was offset by a €638 million increase of RWA in respect of deferred tax assets which are not contingent upon future profits and a €198 million increase in significant investments in financial entities.

The improvement of CGD’s total capital ratio reflects the evolution of its CET1 ratio on account of the facts referred to and the market issuance of securities representing additional Tier 1 own funds.

The ratio levels achieved in CGD’s consolidated accounts for the six months ended 30 June 2017 exceeded the minimum SREP capital requirements in 2017.

SREP capital requirements applicable to consolidated activity in 2017

Based on SREP results for the year ended 31 December 2016, CGD was notified by the ECB of the minimum capital requirements applicable from 1 January 2017.

CGD’s minimum CET1 phased-in capital requirement on a consolidated basis is 8.25 per cent. and includes: (i) a minimum CET1 capital ratio of 4.5 per cent. required by Pillar 1; (ii) a minimum CET1 capital ratio of 2.5 per cent. required by Pillar 2; and (iii) CCB of 1.25 per cent..

CGD must also comply with a minimum Tier 1 capital ratio of 9.75 per cent. and a total capital ratio of 11.75 per cent. in 2017.

SREP - Capital Requirements (consolidated)

	2017
	%
Common Equity Tier 1 (CET1)	8.25
Pillar 1	4.50
Pillar 2 Requirement	2.50
Capital Conservation Buffer (CCB)	1.25
Tier 1	9.75
Total	11.75

Starting from 2018, CGD is required to set up an O-SII buffer to be fully covered by CET 1.

Pursuant to the Bank of Portugal's notice of 30 November 2017, the Other Systemically Important Institutions ("O-SII") buffer for CGD was set at 0.25 per cent. for 2018, 0.5 per cent. for 2019, 0.75 per cent. for 2020 and 1 per cent. for 2021. The CCB will increase to 2.5 per cent. in 2019.

The CCB is expected to increase by 0.625 per cent. per annum on a phased basis up to 2.5 per cent. in 2019.

The fully-implemented leverage ratio ¹¹was 7.4 per cent. at 30 June 2017.

CGD had available distributable items of €1.8 billion as at 30 June 2017 (around 33 times the annual cost of its current AT1 instruments issuance) with a 2.9 per cent. surplus at the level of its Maximum Distributable Amount ("MDA") restrictions considering the current gaps of Tier 1 and Tier 2, and with a 4.6 per cent. surplus, if considering those gaps complied with future issues.

Rating

The rating agencies revised their ratings for CGD following CGD's announcement of its results for the year ended 31 December 2016 and its Strategic Plan.

Moody's Investors Service Ltd., accordingly upgraded its ratings for CGD on 22 March 2017, changing its Baseline Credit Assessment ("BCA") and BCA adjusted assessments for CGD from b3 to b2. In parallel, the rating agency reaffirmed its B1 ratings on deposits and long term senior debt, albeit altering its "outlook" from "ratings under review" to "stable".

On 1 June 2017, DBRS reaffirmed its ratings of BBB (low) on long term senior debt, with a change from "under review with negative implications" to "negative trend". According to this rating agency, the confirmation of the rating translates the increase in CGD Group's solvency under the 2017 Recapitalisation Plan at the end of March 2017, increasing the flexibility to execute its Strategic Plan. The "negative trend" reflects DBRS's opinion that the implementation of the Strategic Plan involves

¹¹ Leverage Ratio in accordance to article 429 of EU regulation n. 575/2013.

“execution risks”.

On 21 December 2017, Fitch Ratings Inc. affirmed its ratings for CGD of B/BB-, with a “positive” outlook.

The credit ratings assigned by the rating agencies to CGD are summarised in the following table:

Rating

	Short Term	Long Term	Date of last assessment
FitchRatings	B	BB-	2017-12
Moody's	N/P	B1	2017-03
DBRS	R-2 (mid)	BBB (low)	2017-06

Domestic Activity

Domestic activity's contribution to the CGD's Group net income as at 30 June 2017 recorded a negative value of €169.5 million, in comparison to losses of €322.4 million in the same period of the preceding year, having been penalised by non-recurrent costs.

Reference should be made to the increase of net interest income including income from equity instruments (increasing 24.4 per cent.) and results from financial operations. Results from service and commissions were up 4.3 per cent., standing at €174.1 million.

Operating costs were up 0.1 per cent. as at 30 June 2017, to €470.5 million. Excluding €61 million of non-recurrent costs operating cost would have decreased by 6.2 per cent.. Recurrent net income before impairment achieved €370.3 million showing a marked improvement of €440.1 million over the same period of 2016.

Provisions and impairments (net) were up 20.8 per cent. as at 30 June 2017 to €355.5 million, broken down between loan impairment (€25.1 million) and provisions and impairments of other assets (€330.4 million), the latter including reinforcement in an amount of €322 million to face disinvestments in international activity.

For the six months ended 30 June 2017 total tax liabilities reached €132.6 million.

Domestic Activity - Contribution to Consolidated Profit and Losses ⁽¹⁾

	30 June 2016	30 June 2017	Change
		(€ million)	
Net interest inc. incl. inc. from eq. investm.	321.2	399.4	24.4%
Results from services and commissions	166.9	174.1	4.3%
Results from financial operations	(119.9)	192.2	—
Other operating income	11.7	14.0	20.3%

	30 June 2016	30 June 2017	Change
Total operating income	379.9	779.7	105.2%
Employee costs	263.6	289.6	9.9%
Administrative expenses	174.0	149.2	(14.2)%
Depreciation and amortisation	32.3	31.7	(1.9)%
Operating costs	469.8	470.5	0.1%
Net operating income before impairments	(89.9)	309.2	—
Loan impairment (net)	269.1	25.1	—
Provisions and impairments of other assets (net)	25.2	330.4	—
Net operating income	(384.3)	(46.3)	—
Income Tax	(53.8)	132.6	—
Net operating income after tax and before non-controlling interests	(330.4)	(178.8)	—
Non-controlling interests	11.6	1.6	(85.9) %
Results of associated companies	19.6	11.0	(43.9)%
Net income	(322.4)	(169.5)	—

Note:

(1) Pure intragroup transactions with no impact on consolidated net income are not eliminated.

International activity

Activity in the international area, during the course of the first half of 2017, pursued its mission of creating value based on a broad-ranging, competitive offer of transactional and trade finance services, enabling CGD to continue to focus on promoting and consolidating its relationships with its international customers.

The offer of services recognised by the market as being particularly distinctive across the first half of 2017, remained highly dynamic with the aim of facilitating and providing for the most diverse needs, deriving from commercial relationships or the presence of customers in different geographies. Caixa's services are backed by its international branch office network and vast range of correspondent banks.

CGD continued to improve its value proposal on external trade products and services in the first half of 2017 by strengthening the functionalities available on its Caixadirecta Empresas platform, the launch of its non-recourse discount forfaiting of export documentary credit and introduction of products and services in the Chinese renmimbi.

The corporate "Market Intelligence Service" at www.cgd.pt, gives a snapshot of specific market information, namely, the key economic indicators on risk, international and bilateral trade, the business

environment and customer-centric solutions.

Activity in the corporate segment, across this period, gave continuity to international business integration initiatives and activities, developed in 2016, with the aim of maximising synergies between the domestic and international branch office networks. These activities have made it possible to improve the depth of knowledge and information sharing, translating into more dynamic articulation and business leverage operations, comprising a global increase in the number of new customers and the international business's growing contribution to the CGD Group's consolidated results.

Eighty-five loan applications were analysed up to 30 June 2017 in articulation with CGD's foreign business units. They comprised renewals of limits and new operations with an 11 per cent. increase in the amount analysed in comparison to the same period of the preceding year. Financing operation proposals, in the form of buyer's credit, with the aim of backing endeavours to export domestic products and services were also analysed and included negotiations with the Republic of Angola for an amount of more than €210 million.

CGD continued to make disbursements under its concessionary export lines of credit for financing Portuguese companies, having, during the period under analysis, paid out a global amount of €14.5 million in invoices. Reference should be made to the entry into force and the first disbursement under the second line of credit for the Kingdom of Morocco, in 2017. Disbursements of €979.1 million comprising 93.4 per cent. of the amount of the 138 projects financed under the respective lines have already been made from the total amount of CGD's concessionary lines of €1,480 million.

On a level of the relational management with banks and multilateral entities, reference should be made to the growing use of the foreign trade facilitation programmes of multilateral entities and agreements for risk selling, thereby enabling an expansion of the scope of approved trade operations and improving CGD's response to its customers' needs.

CGD has continued to focus on promoting and consolidating its relationships with the individual customers resident abroad segment through its branch office network in Portugal. This is based on the more comprehensive scope of its Caixazul Internacional and Caixadirecta Internacional distance banking service models and permanent articulation with Group business units in its different geographical operations.

CGD continued to strengthen its market share of emigrants' deposits as at 30 June 2017, with 43.5 per cent. (compared to 41.5 per cent. as at 31 December 2016) (Source: Monetary and financial statistics Bank of Portugal). It also succeeded in maintaining its market share of around 35 per cent. in credit in comparison to 31 December 2016. Reference should also be made to the investments made by foreigners in Portugal's real estate market through Caixa.

The international area's contribution to the CGD Group's consolidated net result for the six months ended 30 June 2017 was up 2.0 per cent. over the same period of the preceding year, to €119.5 million.

International Activity Contribution to Consolidated Profit and Losses⁽¹⁾

	30 June 2016	30 June 2017	Change
		(€ million)	
Contribution to consolidated Profit and Losses⁽¹⁾			
Net interest inc. incl. inc. from eq. investm.	266.5	288.1	8.1%
Results from services and commissions	57.4	51.1	(10.9)%
Results from financial operations	65.2	74.7	14.6%
Other operating income	(5.5)	(15.3)	—
Total operating income	383.6	398.6	3.9%
Employee costs	103.3	107.2	3.7%
Other Administrative costs	67.9	67.3	(0.9)%
Depreciation and amortisation	14.2	17.4	22.6%
Operating costs	185.4	191.9	3.5%
Net operating income before impairments	198.2	206.7	4.3%
Loan impairment (net)	32.7	29.7	(9.3)%
Provisions and impairments of other assets (net)	0.7	13.4	1942.9%
Net operating income	164.8	163.7	(0.7)%
Income Tax	39.5	33.4	(15.4)%
Net operating income after tax and before non-controlling interests	125.3	130.3	4.0%
Non-controlling interests	13.0	18.0	38.9%
Results from subsidiaries held for sale	4.6	7.3	59.2%
Results of associates and jointly controlled entities	0.3	0.0	—
Net income	117.2	119.5	2.0%

Note:

(1) Pure intragroup transactions with no impact on consolidated net income are not eliminated.

During the six months ended 30 June 2017, total operating income increased 3.9 per cent. in an amount of €15.0 million, with net interest income including income from equity instruments growing 8.1 per cent. by €21.6 million. Results from financial operations were up 14.6 per cent. in comparison to the same period of the preceding year, to €74.7 million.

Operating costs were up 3.5 per cent. and provisions and impairments up 29.1 per cent. for the six months ended 30 June 2017.

The international business area's contribution to the CGD Group's consolidated net operating income before impairments for the six months ended 30 June 2017 was up 4.3 per cent. by €8.6 million over the same period of the preceding year.

International Activity Contribution to Consolidated Profit and Losses

	30 June 2016	30 June 2017	Change Total	(%)
		(€ million)		
BNU Macao.....	31.0	28.8	(2.2)	(7.1)
BCG Angola	6.9	12.1	5.2	75.0
BCG Spain	10.5	12.8	2.3	21.7
Mercantile Bank (South Africa).....	4.6	7.0	2.4	52.4
BCI (Mozambique)	6.7	6.7	0.0	0.0
Africa - other units.....	(0.5)	(1.3)	(0.8)	—
BCG Brazil	1.2	0.4	(0.8)	(69.1)
Branches	60.1	16.3	(43.8)	(72.8)
of which: France Branch	55.3	20.7	(34.6)	(62.6)
CGD Investimentos, CVC (Brazil).....	0.3	40.9	40.7	—
Other	(3.5)	(4.1)	(0.6)	—
Total	117.2	119.5	2.3	2.0

Consolidated net assets from international area operations, influenced by the performance of loans and advances to customers (net), which were down 6 per cent. by €816 million to €12,884 million as at 30 June 2017, were down 4.6 per cent. as at 31 December 2016, to €21,931 million. BNU Macao, and the branches in France and Spain, contributed negatively to the latter reduction, with decreases of €287 million (minus 9.3 per cent.), €252 million (minus 6.7 per cent.) and €111 million (an increase of 19.1 per cent.), respectively as at 30 June 2017.

The international area's contribution to total deposits was down 7.3 per cent. for the year ended 31 December 2016 to €14,996 million. This evolution derived from the performance of the CGD Group's units in Asia, which still account for 39 per cent. of customer deposits in the international area.

Recent Developments

- On 28 September 2017, CGD, Banco Comercial Português, S.A. and Novo Banco, S.A. signed a memorandum of understanding for the creation of the *Plataforma de Gestão de Créditos Bancários, ACE ("Platform")*, as an autonomous instrument permitting coordination between bank lenders, with the aim of improving both the efficiency and the speed of loans and corporate restructuring processes.

Under this memorandum, the relevant parties stated their intention to set up the Platform which

will be responsible for the integrated management of exposures to common debtors and classified as NPEs

At the initial stage, the Platform will manage the exposures to each eligible debtor which owes a nominal aggregate amount of €5,000,000 or more.

The assets managed by the Platform will continue to be recognised on the banks' balance sheet.

The Platform will allow other credit institutions or financial corporations, with common debtors, to voluntarily become Platform members in the future.

When fully operational, the Platform will pursue the following objectives:

- To improve credit recovery operations and speed up the process of reducing NPEs in the banks' portfolios;
- To assist with the recovery of Portuguese economic sectors, through the restructuring of loans and debtors;
- To promote the business consolidation processes required to ensure the feasibility or robustness of debtors;
- To facilitate and promote the access of companies which have been or are being restructured, to public or private, national or international financing sources for fresh equity or to assist on the development of the restructured company;
- To accelerate and facilitate the negotiation process of creditors and banks, with the aim of restructuring companies;
- When necessary, to promote, in contacts with the government and Bank of Portugal, changes to judicial and fiscal legislation, as a means of speeding up and improving the efficiency of corporate restructuring processes.

This memorandum of understanding also appoints Mr. José Manuel Correia as the President of the Executive Management and coordinator of the process involved in the creation of the Platform. The other statutory bodies will be made up of representatives from the financial entities involved and independent members (to be appointed).

- On 27 October 2017, CGD published the Third Quarter 2017 Consolidated Results. See the section entitled *"Documents Incorporated by Reference"* for further information.
- On 12 December 2017, CGD announced that it holds, directly and indirectly, 61.5% of BCI-Banco Comercial e de Investimentos, S.A., reinforcing its previous 51.0% interest in the share capital of this Mozambican bank. CGD's increased participation in its subsidiary was originated by the position formerly held by Insitec Capital, S.A.
- Having received the European Central Bank's (ECB) decision regarding minimum prudential requirements to be fulfilled in 2018, a decision based on the results of the Supervisory Review and Evaluation Process (SREP), as well as the communication from the Bank of Portugal on the additional capital requirement for the "Other Systemically Important Institution" (O-SII) buffer, on 21 December 2017, CGD announced the minimum own funds requirements to be observed from 1 January 2018, calculated relative to the total risk weighted assets (RWA):

Minimum requirements for capital ratios in 2018 - CGD, SA Consolidated Ratios 30-Sep-17

	Phased-in 2018	Of which:			Fully loaded	Of which:			Phased- in	Fully loaded
		Pillar 1	Pillar 2	Buffers		Pillar 1	Pillar 2	Buffers		
CET1	8.875%	4.5%	2.25%	2.125%	10.250%	4.5%	2.25%	3.5%	13.0%	12.7%
T1	10.375%	6.0%	2.25%	2.125%	11.750%	6.0%	2.25%	3.5%	14.0%	13.7%
Total	12.375%	8.0%	2.25%	2.125%	13.750%	8.0%	2.25%	3.5%	14.7%	13.9%

The buffers include the capital conservation buffer (1.875 per cent. in 2018, 2.5 per cent. in 2019), the counter-cyclical buffer (0 per cent.) and the “Other Systemically Important Institution” buffer (0.25 per cent. in 2018, linearly converging to 1 per cent. in 2021). The Pillar 2 requirement for CGD in 2018 is 2.25 per cent., a 0.25 p.p. reduction relative to 2017.

- In the context, of the strategic plan agreed with the European Commission, that included the divestment in small scale activities (less than 1% market share) considered non-core. CGD announced on 21 December 2017 the launch of the final process of disposal of the shareholdings held in the share capital of Mercantile Bank Holdings Limited (a company incorporated under South African law), Banco Caixa Geral (a company incorporated under Spanish law) and Banco Caixa Geral - Brasil (a company incorporated under Brazilian law), by means of the transfer of all or part of the shares representing the shareholdings held by CGD in the share capital of each of the aforementioned companies, in the form of direct sale to one or more investors. These disposals do not reflect CGD’s exit from these markets, where CGD will continue to keep its presence and even increase the relationship with the local Portuguese communities, either through partnerships and operational relationships, or through the various relational platforms, namely through the Caixadirecta Online service and the existing telephone service. The disposal of these participations, as mentioned in the approval of the strategic plan, will contribute to the strengthening of the Bank's capital, bringing a greater focus to its core activity, and thus reducing the possibility of more costs for taxpayers. CGD will continue to support investors and develop its international platform in the core markets of Europe, Africa, and Asia. The approval by the Ministers’ Council of this legislation, necessary to comply with the approved strategic plan, was therefore required by CGD’s recapitalization plan. The beginning of this divestment process phase has started with the publication of Decree Law 153/2017 of 28 December.

THE PORTUGUESE MORTGAGE MARKET AND THE SERVICING OF THE COVER POOL

Mortgage Evolution

In the period subsequent to the economic and financial crisis of 2008 originated by the subprime crisis in the USA, the Portuguese property market steadily declined with the greatest repercussions felt between the years 2011 and 2016. This situation was not caused by overstock followed by a speculative bubble, as happened in other European countries, but mostly due to the sluggish growth of the Portuguese economy associated with an Economic and Financial Assistance Programme between 2011 and 2014 signed with international entities which, on one hand, decreased households' disposable incomes and, on the other hand, made Portuguese banks decrease the new production of credit by applying more restrictive credit conditions and augmenting credit spreads, which have reduced the granting of loans despite a very low interest rate environment. Under this adjustment programme, Portuguese banks begun a deleveraging process in order to comply with loan to deposit ratios imposed by the European Authorities and consequently, property prices began to steadily fall and property valuations decreased as the growth in new lending began to slow down.

The Portuguese property sector is historically characterised by a relatively high ownership rate (75.2 per cent as of 2016 according to Eurostat, Distribution of population by tenure status, type of household and income group – last update on the 19th of December 2017), mainly due to a long past of the absence of a well-functioning rental market and the ease of obtaining mortgage lending over the last 30 years, which led individuals to primarily become homeowners. These new conditions have negatively influenced the evolution of the mortgage market during the period mentioned above. As a consequence, the total credit granted by Portuguese banks showed a decreasing trend in mortgages on real estate, and loans granted to households decreased from €134 billion in 2012 to €116.9 billion in 2016 (according to the Portuguese Banking Association).

During 2014, Portugal successfully got out of the assistance programme and the economy began to steadily recover, as reflected in GDP growth (in volume) of 0.9%, 1.5% and 1.9% in 2014, 2015 and 2016 respectively, according to Statistics Portugal (INE)) and Portugal's housing market begun a steady recovery with house prices showing a rising trend throughout 2016 and during the first half of 2017, to which a stronger demand and improved economic conditions also made a significant contribution. In the period from 2004 to 2015, there was a deceleration in the number of the building permits issued for residential properties reflecting an adjustment of the housing stock to the needs and constraints felt in Portugal during this period. According to the Portuguese statistics, in 2014 15,458 building permits were issued, representing a decrease of 5.5 per cent in comparison with 2013, which itself marked a reduction of 23.2 per cent versus the previous year. Nonetheless, this trend was reversed in 2016, when the number of building permits increased by 10.9 per cent over 2015 (minus 3.7 per cent in 2015, according to the Construction and housing statistical document for 2016, issued by the Portuguese Statistics Institute in July 2017), with 16,738 new licences issued, of which housing permits represented 64.3 per cent, corresponding to an increase of 63.8 per cent. in comparison to 2015.

In 2016 the number of transactions relating to housing increased 18.5%, corresponding to 127,106 family dwellings (+27.4% in 2015). This value was close to the value achieved in 2010 (129,950). Relating to the type

of transactions, 105,502 were for second-hand property and 21,604 were for new homes. The total sales amount surpassed €14.8 billion, corresponding to an increase of 18.7% (30.8% in 2015). Sales of new housing accounted for €3.4 billion, decreasing by 3.9% (+7.2% in 2015), while existing dwellings increased by 27.6% (+43.1% in 2015), totalling €11.4 billion.

The house price index increased by 7.1% in 2016 (plus 4 p.p. in comparison to 2015). This was an increase for the third consecutive year. In 2016, the figure registered its highest growth for second-hand homes (+8.7%) whilst the new ones increased 3.3%. In 2016, the average value of bank appraisals for housing continued an upward trend, increasing by 3.8% (1.2 p.p. more when compared to 2015). The construction costs index for new houses inverted the recent downward trend, and registered a positive annual change of 0.6%, doubling of the rate recorded in 2015.

New mortgage loans increased in number by 5.6% and 41.3% respectively in 2014 and 2015 and an increase in amount by 8.6% and 57.1%, respectively in the same years. Such high figures must be seen within the context of very low numbers in the preceding years. The total outstanding amount of mortgage loans increased by 51.1% in 2015 (8.65% in 2014) following reductions in previous years: minus 3.6%, minus 52.9% and minus 54% respectively in 2013, 2012 and 2011, resuming values close to those reached in 2011. Credit granted to non-residents increased 61.2% and 33.6% in 2015 and 2014, reaching €194 million.

According to the Bank of Portugal's Statistics Bulletin, as of August 2017 (page 42), loans granted by the financial sector for house purchase purpose stood at €99.14 billion (a decrease of 2.67 per cent when compared with the same figure in August 2016) and €100.3 billion as of December 2016, a decrease of 3.18 per cent. in comparison to December 2015. In Portugal, the statistics pertaining to loans to customers have been steadily declining since 2010 and mortgages loans to households have followed this trend. This was particularly influenced by the period between 2011 and 2013, during the financial assistance program, at the time of the country's financial crisis that has subjected households to stringent fiscal policies and reduced the disposable income available to buy houses.

As such, even though more recently new loans granted to households have been growing and registering a new dynamic since 2015, this was not yet sufficient to replace the outstanding loan portfolio that has been consecutively repaid.

These adverse conditions were also reflected in the amount of non-performing loans that have increased over the years. Those were more evident in loans to non-financial corporations and loans for consumption and other purposes, and while non-performing loan levels on housing increased slightly, they remained at lower levels. As of August 2017, non-performing loans on housing totalled €2.1 billion, representing 2.26% of total housing loans a decrease of 0.46 p.p. in comparison to August 2016.

In December 2012, the ratio of overdue loans of households stood at €2.3 billion, progressively growing up to June 2016, when it achieved the highest value (€2.62 billion), and steadily decreasing since then, registering €2.13 billion as of April 2017. This improvement since December 2016 has been contributed to by better conditions in the labour market (the unemployment rate gradually declined, standing at 10.1% as of March 2017 in comparison to 12.4% in March 2016), low inflation, and the ECB's very low interest rate policy. The latter helped keep Euribor rates at an historic low level, since this is the most used index rate for variable mortgage loans, representing more than 90% of mortgage loans granted by Portuguese banks.

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 it is considered to be 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. At the present time, the Issuer has increased its knowledge of its customers' financial situation, in order to prevent delinquency in mortgage loans.

For the last decade, the Issuer has responded to an ever increasingly competitive market with faster credit decision-making mechanisms. This has been 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 insurance policies and the applicants' age.

Through financial and cooperative agreements with various property market operators, the Issuer has also developed 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 have commercial relations with the Issuer.

In addition to protocols with these 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.

Presently, external channels are being used to enhance the selling of houses owned by CGD as a result of mortgage delinquency, as well as houses built with CGD corporate financing.

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 the 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 for 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 Voluntary Code of Conduct" and the Bank of Portugal's Notice (*Aviso*) 2/2010, as amended. 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 assessment 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, the 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 officer responsible at the 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.

Since May 2017, for housing credit transactions for which certain risk parameters are identified, the process migrates directly to the Credit Risk Management Division (DCR) who will decide on the respective credit granting. Since September 2017, the difference from standard pricing will be decided by the Housing Credit Central Division (CCH). This means that branches can only decide on credit granting considering Caixa's pre-defined standard parameters regarding risk or pricing.

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 for an amount equal to or greater than that of the loan.

Health insurance is 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 general 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 this amount is totally amortised before the borrower reaches the age of 80 years old), with the exception of 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 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.

Regarding the new mortgage production, clients may choose from a wide range of fixed rates at 5, 7, 10, 15 and 20 years of maturity. The 12-month Euribor is the only floating rate used for new loans.

CGD has created a special offer in mortgage loans to purchase houses owned by CGD, with a fixed rate in the first 10 years and a set of unique benefits given to customers who want to use a mortgage loan to buy properties owned by the CGD Group or built with CGD corporate financing.

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 introducing more 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 6-month Euribor with a spread depending on the loan-to-value ratio and the relevant loans' 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's credit decision.

In order to prevent future increases in the Euribor and over indebtedness, Caixa has reviewed its credit policy, namely mortgage loan granting. CGD uses the Euribor plus 2 per cent, and includes insurance costs in the financial customer capacity evaluation for new loans, including them in debt to income ratio (down from 40% to 35%) reducing the LTV (from 90% to 80%), as well as the standard maturity of the loans, from 50 to 45 years in 2009 and from 45 to 40 years in 2011.

Additionally, CGD is using the risk-adjusted pricing, a model in credit decision, which seeks to respond to market developments and the requirements of Basel II.

This model comprises loan scoring, which assesses the risk level of loans and customers from a wide range of variables, such as socio-demographic, economic and financial and relationship variables.

This model focuses on lower-risk customers and penalises price levels especially in the decision, if said customers are likely to 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, in March 2009 CGD launched 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 situations in mortgage loans, with the purpose of applying higher spreads on such contracts, if cross-selling firstly negotiated with the customer is no longer effective.

APD allows for the 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

CGD has a strict and regular policy of delinquencies management in its residential mortgage business, using multiple solutions to prevent and mitigate the effects of non-performing loans.

The importance of the early detection of delinquencies led to the creation of the categorization of “customer in financial distress”. A customer is considered to be in financial distress when he defaults to CGD Group, or when there is manifest difficulty in meeting payments, even if the customer has not defaulted yet.

In either circumstance, typically, the customer has had a reduction of disposable income and his debt-to-income ratio is higher than that observed at the time of underwriting of the loan.

For these cases, CGD has enhanced its information systems in order to detect customers:

- with at least one late mortgage instalment;
- using the totality of an overdraft limit negotiated within a two-month period;
- using their credit cards limits for more than 95 per cent during the last 12 months and/or;
- with an indication of credit written off, non-performing loans or credit renegotiation in the Bank of Portugal’s centralised reporting systems.

CGD also detects customers whose direct debit payments, are late or whose debit payments have not been cleared.

In 2012, new legislation on defaults on residential loans came into force (including a new regime for the protection of borrowers of residential loans in a very difficult economic situation), which resulted in the adoption of new concepts for the characterisation of customers who face economic hardship and new

measures aimed at preventing defaults and promoting the extrajudicial renegotiation of loans, applicable to credit institutions.

CGD has now designed, developed and implemented a new credit monitoring and recovery model based on a risk-based customer segmentation. This segmentation aims to reflect the risk level of all CGD customers based on customer's credit lifecycle (days in arrears, financial background checks and a portfolio of other risk triggers).

As mentioned, customers are segmented based on automatic and/or manual triggers (facts or signs that indicate that the customer is, or might be, in financial difficulty). Each segment is then managed and monitored according to its risk level, having different recovery procedures/solutions and different monitoring teams (branch network or credit recovery department).

One of the key underlying principles of this model is the segregation of credit concession and credit recovery – hence every recovery attempt post 30 days in arrears is done by a specialised recovery team that has been created for this purpose.

This new Credit Monitoring and Recovery Model is supported by an enhanced IT system that allows CGD to closely monitor all customers' credit situation, proactively act upon them and prevent credit delinquencies.

Strictly in conformity with the Central Bank's directives, CGD has implemented specific measures to fulfil these principles.

The first, the Pre-arrears Action Plan ("PARI"), allows for:

- Early detections of signs of delinquency risk, implementing systems to identify default risk;
- Control of borrowers who report financial difficulties;
- The adoption of measures to prevent arrears;
- The evaluation of evidence of default risk;
- Repayment solution proposals, whenever the risk of failure is caused by temporary and specifically defined circumstances;
- Evaluation of the financial capacity of the client;
- Contract restructuring or credit agreement consolidation proposals, in cases where the risk of default is assumed to be permanent.

It should be noted that in the credit recovery process, if the customer is less than 31 days in arrears, the customer remains monitored at a branch level. During this period, branches are responsible for the recovery process. For this purpose, the branch receives automatic reports with all the information about delinquent loans. Delinquency notifications are sent automatically to the borrowers and/or guarantors, 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.

Since the first day in arrears, CGD's call centre begins a series of initiatives that include text messaging and outbound contacts, with the purpose of obtaining a payment promise from the customer, or if not feasible,

a face-to-face meeting at the branch to examine and negotiate new solutions suitable for the customer's financial situation.

Additionally, CGD has developed a new simulator for contractual changes, allowing the user to easily simulate every possible modification in the contract, in order to optimise its flexibility and the reduction in instalments.

Several recovery solutions are usually applied: for instance, payment plans, extending the term of the contract, capitalisation of instalments in arrears, deferral of part of the outstanding principal, or changing the payment date.

The second set of specific measures is an extrajudicial settlement procedure for borrowers in default situation (PERSI), with several measures intended to automatically detect customers in default and propose timely contractual changes and restructurings, includes:

- The notification of customer arrears and amounts due, to the borrower and guarantors;
- Recording of the reasons for non-compliance and assessment of the financial capacity of the client;
- Reporting to clients about the evaluation of failure;
- Contractual remedies proposals, adequate for each borrower's financial situation, according to a defined set menu that follows an economic rationale for both the customer and CGD.

After 31 days in arrears, the customer is transferred from the branch to the specialised recovery unit, is notified of such transfer and at the same time, and is contacted to confirm that the customer's file has been transferred to a new department.

Thereafter, a specialised team begins a negotiation process with the customer whereby they try to understand the financial situation of the borrower and work out the best solution, from a set of defined treatments menu for both the client and CGD. If the customer is not cooperating, the customer is notified of legal action when reaching 90 days in arrears.

Upon 120 days in arrears (the 5th defaulted instalment), and if no further conversations have yielded results, legal proceedings start and the customer is notified of these. The client has 15 days to reply and renegotiate his debt before the start of legal procedures.

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 Regulatory Notices**”), which comprises both regulatory notices (*Avisos*) and instructions. The Bank of Portugal Regulatory Notices 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 Regulatory Notices 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 Regulatory Notice 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 shall correspond to 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 Regulatory Notice 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.

Regulatory Notice 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 and role of the real estate valuation experts and transitional provisions concerning valuations made prior to the enactment of the Bank of Portugal Regulatory Notices.

Asset-Liability Management and financial requirements

The Covered Bonds Law and the Bank of Portugal Regulatory Notices 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 Law, 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 segregate 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 Regulatory Notice 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 with subparagraphs (a) to (f) of paragraph 1 of article 129 of the Capital Requirements Regulation. The risk-weighting applicable to covered bonds is also governed by Article 129 of the Capital Requirements Regulation.

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 interest, 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 28 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 48 per cent. In the latter circumstance, an additional income tax will be due on the part of the taxable income exceeding €80,000 as follows: (i) 2.5 per cent. on the part of the taxable income exceeding €80,000 up to €250,000 and (ii) 5 per cent. on the remaining part (if any) of the taxable income exceeding €250,000.

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 35 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 28 per cent. levied on the positive difference between the capital gains and capital losses realised on the transfer of securities and derivatives of each year unless the individual elects to include such income in his taxable income, subject to tax at progressive rates of up to 48 per cent. In the latter circumstance, an additional income tax will be due on the part of the taxable income exceeding €80,000 as

follows: (i) 2.5 per cent. on the part of the taxable income exceeding €80,000 up to €250,000 and (ii) 5 per cent. on the remaining part (if any) of the taxable income exceeding €250,000.

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 rate at a rate of (i) 21 (twenty one) per cent. or (ii) if the taxpayer is a small or medium enterprise as established in Decree-Law no. 372/2007, of 6 November 2007, 17 (seventeen) per cent. for taxable profits up to €15,000 and 21 (twenty one) per cent. on profits in excess thereof to which may be added a municipal surcharge (*derrama municipal*) of up to 1.5 per cent. of its taxable income. Corporate taxpayers with a taxable income of more than €1,500,000 are also subject to State surcharge (*derrama estadual*) of (i) 3 (three) per cent. on the part of its taxable profits exceeding €1,500,000 up to €7,500,000, (ii) 5 (five) per cent. on the part of the taxable profits that exceeds €7,500,000 up to €35,000,000, and (iii) 9 (nine) per cent. on the part of the taxable profits that exceeds €35,000,000

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 resident or located in Portugal, pension funds, retirement and/or education savings funds, share savings funds, venture capital funds or collective investment undertakings 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 35 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 without a permanent establishment in Portugal to which the income is attributable is subject to withholding tax at a rate of 28 per cent. (in the case of individuals) or at a rate of 25 per cent. (in the case of 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 35 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 35 per cent. applies in case of investment income payments to individuals or companies domiciled in a “low tax jurisdictions” (*Lista dos países, territórios e regiões com regimes de tributação privilegiada, claramente mais favoráveis*) list approved by Ministerial Order no. 150/2004 of 13 February, as amended from time to time.

Under the domestic law the responsibility to withhold taxes arising from the interest payments of the Covered Bonds issued by resident entities for tax purposes belongs to the registry or depositary entity, as the case may be.

Under the tax treaties entered into by Portugal which are in full force and effect on the date of this Prospectus, the above withholding tax rates 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.

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 no. 150/2004 of 13 February, as amended from time to time (*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 28 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 no. 150/2004 of 13 February, as amended from time to time (*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 no. 193/2005, of 7 November 2005, as amended from time to time (“**Decree-Law 193/2005**”), investment income paid on, as well as capital gains derived from a sale or other disposition of the Covered Bonds, to non-Portuguese resident beneficial owners will be exempt from Portuguese income tax provided the debt securities are integrated in (i) a centralised system for securities managed by an entity resident for tax purposes in Portugal (such as the CVM managed by Interbolsa), or (ii) an international clearing system operated by a managing entity established in a member state of the EU other than Portugal or in a European Economic Area Member State provided, in this case, that such State is bound to cooperate with Portugal under an administrative cooperation arrangement in tax matters similar to the exchange of information schemes in relation to tax matters existing within the EU Member States or (iii) integrated in other centralised systems not covered above provided that, in this last case, the Portuguese Government authorises the application of the Decree-Law 193/2005, and the beneficiaries are:

- (i) central banks or governmental agencies; or
- (ii) international bodies recognised by the Portuguese State; or
- (iii) entities resident in countries or jurisdictions with whom Portugal has a double tax treaty in force or a tax information exchange agreement; or
- (iv) other entities without headquarters, effective management or a permanent establishment in the Portuguese territory to which the relevant income is attributable and which are not domiciled in a blacklisted jurisdiction as set out in the Ministerial Order no. 150/2004, as amended from time to time.

However, for purposes of application at source of this tax exemption regime, Decree-Law 193/2005 requires completion of certain procedures and the provision of certain information. Under these procedures (which are aimed at verifying the non-resident status of the holder of the Covered Bonds), the holder of the Covered Bonds is required to hold the Covered Bonds through an account with one of the following entities:

- (i) a direct registered entity, which is the entity with which the debt securities accounts that are integrated in the centralised system are opened;
- (ii) an indirect registered entity, which, although not assuming the role of the “direct registered entities”, is a client of the latter; or
- (iii) an international clearing system, which is an entity that proceeds, in the international market, to clear, settle or transfer securities which are integrated in centralised systems or in their own registration systems.

Direct registered entities are required, for the purposes of Decree-Law 193/2005, to register the holders of the Covered Bonds in one of two accounts: (i) an exempt account or (ii) a non-exempt account.

(c) Domestic Clearing Covered Bonds

Registration of the Covered Bonds in the exempt account is crucial for the exemption to apply. For this purpose, the registration of the non-resident holders of Covered Bonds in an exempt account, allowing application of the exemption upfront, requires evidence of the non-resident status, to be provided by the

holder of the Covered Bonds to the direct registered entity prior to the relevant date for payment of interest and to the transfer of Covered Bonds, as follows:

- (i) if the holder of the Covered Bonds is a central bank, an international body recognised as such by the Portuguese State, or a public law entity and respective agencies, a declaration issued by the beneficial owner of the Covered Bonds itself duly signed and authenticated, or proof of non residence pursuant to (iv) below. The respective proof of non-residence in Portugal is provided once, its periodical renewal not being necessary and the beneficial owner should inform the direct register entity immediately of any change in the requisite conditions that may prevent the tax exemption from applying;
- (ii) if the holder of the Covered Bonds is a credit institution, a financial company, a pension fund or an insurance company domiciled in any OECD country or in a country with which Portugal has entered into a double taxation treaty, certification shall be made by means of the following: (A) its tax identification official document; or (B) a certificate issued by the entity responsible for such supervision or registration, or by tax authorities, confirming the legal existence of the beneficial owner of the Covered Bonds and its domicile; or (C) proof of non residence pursuant to (iv) below. The respective proof of non-residence in Portugal is provided once, its periodical renewal not being necessary and the beneficial owner should inform the direct register entity immediately of any change in the requisite conditions that may prevent the tax exemption from applying;
- (iii) if the holder of the Covered Bonds is an investment fund or other collective investment scheme domiciled in any OECD country or in a country with which Portugal has entered into a double tax treaty in force or a tax information exchange agreement in force, it shall make proof of its non-resident status by providing any of the following documents: (a) a declaration issued by the entity responsible for its supervision or registration or by the relevant tax authority, confirming its legal existence, domicile and law of incorporation; or (b) proof of non-residence pursuant to the terms of paragraph (iv) below; The respective proof of non-residence in Portugal is provided once, its periodical renewal not being necessary and the beneficial owner should inform the direct register entity immediately of any change in the requisite conditions that may prevent the tax exemption from applying;
- (iv) other investors will be required to make proof of their non-resident status 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 which forms part of the public administration (either central, regional or peripheral, indirect or autonomous) of the relevant country. The holder of the Covered Bonds must provide an original or a certified copy of such documents and, as a rule, if such documents do not refer to a specific year and do not expire, they must have been issued within the three years prior to the relevant payment or maturity dates or, if issued after the relevant payment or maturity dates, within the following three months. The holder of the Covered Bonds must inform the registering entity immediately of any change in the requirement conditions that may eliminate the tax exemption.

(d) Internationally Cleared Covered Bonds

Pursuant to the requirements set forth in the tax regime, if the Covered Bonds are registered in an account held by an international clearing system operated by a managing entity, the latter shall transmit, on each interest payment date and each relevant redemption date, to the direct register entity or to its representative, and with respect to all accounts under its management, the identification and quantity of securities, as well as the amount of income, and, when applicable, the amount of tax withheld, segregated by the following categories of beneficiaries:

- a) entities with residence, headquarters, effective management or permanent establishment to which the income would be imputable and which are non-exempt and subject to withholding;
- b) entities which have residence in country, territory or region with a more favourable tax regime, included in the Portuguese “blacklist” (countries and territories listed in Ministerial Order no. 150/2004 of 13 February, as amended from time to time) and which are non-exempt and subject to withholding;
- c) entities with residence, headquarters, effective management or permanent establishment to which the income would be imputable, and which are exempt or not subject to withholding;
- d) other entities which do not have residence, headquarters, effective management or permanent establishment to which the income generated by the securities would be imputable.

On each interest payment date and each relevant redemption date, the following information with respect to the beneficiaries that fall within the categories mentioned in paragraphs (a), (b) and (c) above, should also be transmitted:

- (a) name and address;
- (b) tax identification number (if applicable);
- (c) identification and quantity of the securities held; and
- (d) amount of income generated by the securities.

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, as amended from time to time. The refund claim is to be submitted to the direct register entity of the Covered Bonds within 6 months from the date the withholding took place. A special tax form for these purposes was approved by Order (*Despacho*) no. 2937/2014, published in the Portuguese Official Gazette, second series, no. 37, of 21 February 2014, issued by the Portuguese Minister Secretary of State and Tax Matters (currently *Secretário de Estado e Assuntos Fiscais*) and may be available at www.portaldasfinancas.gov.pt.

The refund of withholding tax after the above six-month period is to be claimed from the Portuguese tax authorities within two years, starting from the term of the year in which the withholding took place.

Mandatory Automatic Exchange of Information

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 or secured 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, Austria is instead required (unless during that period it elects 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).

However, on 10 November 2015 the Council of the European Union adopted the Council Directive (EU) 2015/2060 of 10 November 2015 repealing the EU Savings Directive from 1 January 2017 in the case of Austria and from 1 January 2016 in the case of all other Member States of the European Union (subject to on-going requirements to fulfil administrative obligations such as the reporting and exchange of information relating to, and accounting for withholding taxes on, payments made before those dates). This is to prevent overlap between the EU Savings Directive and a new automatic exchange of information regime to be implemented under Council Directive 2011/16/EU on Administrative Cooperation in the field of Taxation (as amended by Council Directive 2014/107/EU). The new regime under Council Directive 2011/16/EU (as amended) is in accordance with the Global Standard released by the Organisation for Economic Co-operation and Development in July 2014. Council Directive 2011/16/EU (as amended) is generally broader in scope than the Savings Directive, although it does not impose withholding taxes.

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.

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 2005 and Law no. 37/2010, of 2 September 2010. Accordingly, it is expected that Decree-Law no. 62/2005, of 11 March 2005, as amended by Law no. 39-A/2005, of 29 July 2005 and Law no. 37/2010, of 2 September 2010 will be revoked.

Under Council Directive 2014/107/EU, of 9 December 2014, financial institutions are required to report to the tax authorities of their respective Member State (for the exchange of information with the state of residence) information regarding bank accounts, including custodial accounts, held by individual persons residing in a different Member State or entities which are controlled by one or more individual persons residing in a different Member State, after having applied the due diligence rules foreseen in the Directive. The information refers to the account balance at the end of the calendar year, income paid or credited in

the account and the proceeds from the sale or redemption of the financial assets paid or credited in the account during the calendar year to which the financial institution acted as custodian, broker, nominee, or otherwise as an agent for the account holder, among others.

The Council Directive 2014/107/EU, of 9 December 2014 regarding the mandatory automatic exchange of information in the field of taxation was implemented into Portuguese law through the Decree-law no. 64/2016, of 11 October 2016. In addition, the information regarding the registration of the financial institutions, and the procedures to comply with the reporting obligations arising from Decree-law no. 64/2016, of 11 October 2016, and the applicable forms were approved by Ministerial Order (Portaria) no. 302-A/2016, of 2 December 2016, Ministerial Order (Portaria) no. 302-B/2016, of 2 December 2016, Ministerial Order (Portaria) no. 302-C/2016, of 2 December 2016, Ministerial Order (Portaria) no. 302-D/2016, of 2 December 2016, amended by Ministerial Order (Portaria) no. 255/2017, of 14 August 2017, and Ministerial Order (Portaria) no. 302-E/2016, of 2 December 2016.

Foreign Account Tax Compliance Act

FATCA imposes a new reporting regime and potentially a 30 per cent. withholding tax with respect to certain payments to any non-U.S. financial institution (a foreign financial institution, or **FFI** (as defined by FATCA)) that does not become a **Participating FFI** by entering into an agreement with the U.S. Internal Revenue Service (**IRS**) to provide the IRS with certain information in respect of its account holders and investors or is not otherwise exempt from or in deemed compliance with FATCA. The Issuer is classified as a FFI.

The new withholding regime has been phased in beginning 1 July 2014 for payments from sources within the United States and will apply to **foreign passthru payments** (a term not yet defined) no earlier than 1 January 2019. This withholding applies to payments in respect of any Covered Bonds that are issued on or after the “grandfathering date”, which is the later of (a) 1 July 2014 and (b) the date that is six months after the date on which final U.S. Treasury regulations defining the term foreign passthru payment are filed with the Federal Register, or which are materially modified on or after the grandfathering date. If Covered Bonds are issued before the grandfathering date, and additional Covered Bonds of the same series are issued on or after that date, the additional Covered Bonds may not be treated as grandfathered, which may have negative consequences for the existing Covered Bonds, including a negative impact on market price.

The United States and a number of other jurisdictions have announced their intention to negotiate intergovernmental agreements to facilitate the implementation of FATCA (each, an **IGA**). Pursuant to FATCA and the “Model 1” and “Model 2” IGAs released by the United States, an FFI in an IGA signatory country could be treated as a **Reporting FI** not subject to withholding under FATCA on any payments it receives. Further, an FFI in a Model 1 IGA jurisdiction would generally not be required to withhold under FATCA or an IGA (or any law implementing an IGA) (any such withholding being **FATCA Withholding**) from payments it makes. The Model 2 IGA leaves open the possibility that a Reporting FI might in the future be required to withhold as a Participating FFI on foreign passthru payments. Under each Model IGA, a Reporting FI would still be required to report certain information in respect of its account holders and investors to its home government or to the IRS.

In addition, Portugal has signed the Intergovernmental Agreement with the US on 6 August 2015 which has entered into force on 10 August 2016. If the Issuer becomes a Participating FFI under FATCA, the Issuer and

financial institutions through which payments on the Covered Bonds are made may be required to withhold FATCA Withholding if any FFI through or to which payment on such Covered Bonds is made is not a Participating FFI, a Reporting FI, or otherwise exempt from or in deemed compliance with FATCA.

It is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Covered Bonds by the Issuer and any Paying Agent, given that each of the entities in the payment chain beginning with the Issuer and ending with the CSD is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an IGA will be unlikely to affect the Covered Bonds.

Portugal has implemented, through Law 82-B/2014, of 31 December, the legal framework based on reciprocal exchange of information on financial accounts subject to disclosure in order to comply with FATCA. In such Law, it is also foreseen that additional legislation regarding certain procedures and rules in connection with FATCA will be created in Portugal. Through Decree-Law no. 64/2016, of 11 October, amended by Law no. 98/2017, of 24 August, the Portuguese government approved the complementary regulation required to comply with FATCA. Under the referred legislation the Issuer is required to obtain information regarding certain accountholders and report such information to the Portuguese Tax Authorities, which, in turn, will report such information to the United States Internal Revenue Service.

FATCA is particularly complex and its application is uncertain at this time. The above description is based in part on regulations which are subject to change or may be implemented in a materially different form. Prospective investors should consult their tax advisers on how these rules may apply to the Issuer and to payments they may receive in connection with the Covered Bonds.

TO ENSURE COMPLIANCE WITH IRS CIRCULAR 230, EACH TAXPAYER IS HEREBY NOTIFIED THAT: (A) ANY TAX DISCUSSION HEREIN IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY THE TAXPAYER FOR THE PURPOSE OF AVOIDING U.S. FEDERAL INCOME TAX PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER; (B) ANY SUCH TAX DISCUSSION WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) THE TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.

The Proposed Financial Transaction Tax

The European Commission has published a proposal for a Directive for a common financial transaction tax (FTT) in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the participating Member States). However, Estonia has since stated that it will not participate.

The proposed FTT has very broad scope and could, if introduced in its current form, apply to certain dealings in Covered Bonds (including secondary market transactions) in certain circumstances. The issuance and subscription of Covered Bonds should, however, be exempt.

Under current proposals the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Covered Bonds where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad

range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

The FTT proposal remains subject to negotiation between the participating Member States and is the subject of legal challenge. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate. Prospective holders of Covered Bonds are advised to seek their own professional advice in relation to the FTT.

SUBSCRIPTION AND SALE AND SECONDARY MARKET ARRANGEMENTS

The Dealers have, in the Programme Agreement dated 23 November 2006 (as supplemented, or replaced by a new programme agreement relating to this Covered Bonds Programme, from time to time), 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 Interbolsa*” 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 US Securities Act or the securities laws of any state or other jurisdiction of the United States, 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 or in a transaction not subject to the registration requirements of the US Securities Act. The Covered Bonds are initially being offered and sold only outside the United States in reliance on Regulation S under the US Securities Act. Terms used in this paragraph and the following paragraph have the meanings given to them by Regulation S under the US Securities Act.

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 (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, except in accordance with Rule 903 of Regulation S under the US Securities Act. Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to any Covered Bonds, and that it and they have complied and will comply with the offering restrictions requirement of Regulation S. Each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree, that, at or prior to confirmation of sale of Covered Bonds, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Covered Bonds from it during the distribution compliance period a confirmation or notice to substantially the following effect:

“The Securities covered hereby have not been registered under the U.S. US Securities Act of 1933, as amended (the “US 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 (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Securities as determined and certified by the relevant Dealer, in the case of a non-syndicated issue, or the Lead Manager, in the case of a

syndicated issue, and except in either case in accordance with Regulation S under the US Securities Act. Terms used above have the meanings given to them by Regulation S."

In addition, 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 US Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the US Securities Act.

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, accordingly, 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 Financial Services and Markets Act 2000, 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 Covered Bonds has not been registered with the *Commissione nazionale per le Società e la Borsa* ("**CONSOB**") pursuant to Italian securities legislation and, accordingly, each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree, that, save as set out below, it has not made and will not make an offer of any Covered Bonds to the public in the Republic of Italy, and that sales of the Covered Bonds in the Republic of Italy shall be effected in accordance with all Italian securities, tax and exchange control and other applicable laws and regulations; in particular, no Covered Bonds may be offered, sold or delivered, nor copies of the Base Prospectus or of any other document relating to any Covered Bonds may be distributed in the Republic of Italy, except:

- (i) to qualified investors (*investitori qualificati*), as defined pursuant to Article 100 of Legislative Decree No. 58 of February 1998, as amended (the "**Financial Services Act**") and Article 34-ter, paragraph 1 (letter b) of CONSOB Regulation No. 11971 of 14 May 1999, as amended ("**Regulation No. 11971**");

or

- (ii) in any other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Article 34-ter of Regulation No. 11971.

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 Law, CONSOB Regulation No. 16190 of 29 October 2007, as amended, and Legislative Decree No. 385 of 1 September 1993, as amended (the “**Banking Act**”);
- (b) in compliance with Article 129 of the Banking Act, as amended, and the implementing guidelines of the Bank of Italy, as amended, 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 compliance with any other applicable laws and regulations or requirement imposed by CONSOB or other Italian authority.

Prohibition of Sales to EEA Retail Investors

From 1 January 2018, unless the Final Terms in respect of any Covered Bonds specify the “Prohibition of Sales to EEA Retail Investors” as “Not Applicable”, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Covered Bonds which are the subject of the offering and listing contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to any retail investor in the EEA. For the purposes of this provision:

- a) the expression “retail investor” means a person who is one (or more) of the following:
 - (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MiFID II**”); or
 - (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the “**Insurance Mediation Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
 - (iii) not a qualified investor as defined in the Prospectus Directive; and
- b) the expression an “offer” includes 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 the Covered Bonds.

Prior to 1 January 2018, and after that date, if the Final Terms in respect of any Covered Bonds specify “Prohibition of Sales to EEA Retail Investors” as “Not Applicable”, in relation to each Member State of the EEA which has implemented the Prospectus Directive (each, a “**Relevant Member State**”), each Dealer has represented, warranted and agreed, 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 and listing 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 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 (as amended) and includes any relevant implementing measure in the Relevant Member State.

Portugal

In relation to the Covered Bonds, each Dealer has represented, warranted and agreed with the Issuer, and each further Dealer appointed under the Programme will be required to represent and agree, that: the Covered Bonds may not be and will not be offered to the public in Portugal under circumstances which are deemed to be a public offer under the Portuguese Securities Code (*Código dos Valores Mobiliários*) enacted by Decree-Law no. 486/99, of 13 November 1999 (as amended and restated from time to time) unless the requirements and provisions applicable to the public offering in Portugal are met and registration, filing, approval or passport procedures with the Portuguese Securities Market Commission (*Comissão do Mercado de Valores Mobiliários*, “**CMVM**”) is made; regarding any offer or sale of Covered Bonds by it in Portugal or to individuals resident in Portugal or having a permanent establishment in Portugal, it will comply with all laws and regulations in force in Portugal, including (without limitation) the Portuguese Securities Code, any regulations issued by the CMVM and Commission Regulation (EC) No. 809/2004 implementing the Prospectus Directive, as amended, and other than in compliance with all such laws and regulations: (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 Portugal, as the case may be; (ii) 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. Private placements addressed by companies open to public investment (*"sociedades abertas"*) or by companies issuing securities listed on a regulated market shall be subsequently notified to the CMVM for statistics purposes.

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 original establishment of the Programme was duly authorised by a resolution of the Board of Directors of the Issuer dated 31 October 2006, and the Programme has been subsequently updated by duly authorisations of the Issuer relevant management body, the last update having been duly authorised by a resolution of the Executive Committee of the Issuer dated 20 December 2017, in accordance with the provisions of the Covered Bonds Law.

Listing

In respect of Covered Bonds which are intended to be listed, application will be made to Euronext for the admission of Covered Bonds issued under the Programme to trading on the regulated market Euronext Lisbon.

Interbolsa

The Covered Bonds have been accepted for settlement through Interbolsa. The appropriate common code (if applicable) and ISIN for each Tranche of Covered Bonds 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

There has been no significant change in the financial or trading position of the Issuer since 30 June 2017 and there has been no material adverse change in the financial position or prospects of the Issuer since 31 December 2016.

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 approved, which may have or have had in the recent past a significant effect on the Issuer's or CGD Group's financial position or profitability.

Third party information

Where information has 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 Issuer calculates its market share data using official sources of information, governmental or otherwise (as applicable). Where no official sources exist, the Issuer relies on its own estimates.

Accounts

The auditor of the Issuer for the financial statements of the Issuer for the financial years ended 31 December 2015 and 31 December 2016 was Deloitte & Associados – SROC, S.A. (“**Deloitte**”), (which is a member of the Portuguese Institute of Statutory Auditors (*Ordem dos Revisores Oficiais de Contas*), was represented by Maria Augusta Cardador Francisco. Deloitte is registered with the CMVM with registration number 20161389, with registered office at Av. Engenheiro Duarte Pacheco, no. 7, 1070-100, Lisboa, who has audited the Issuer’s consolidated accounts in accordance with IFRS for each of the two financial years ended on 31 December 2015 and 31 December 2016.

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 office of the Issuer and from the specified offices the Paying Agent for the time being:

- (a) the audited consolidated financial statements of the Issuer (together with an English translation thereof) in respect of the financial years ended 31 December 2015 and 31 December 2016;
- (b) the unaudited consolidated financial statements of the Issuer for the first semester of 2017 (together with an English translation thereof), available at www.cmvm.pt;
- (c) the unaudited financial results of the Issuer for the first nine months of 2017 (together with an English translation thereof), available at www.cmvm.pt;
- (d) 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);
- (e) the by-laws of the Issuer (together with an English translation thereof);
- (f) the Programme Agreement (as more recently amended and restated) and the Agency and Payments Procedures (as more recently amended and restated) originally dated 23 November 2006;
- (g) the Common Representative Appointment Agreement (as more recently amended and restated) originally dated 23 November 2006;
- (h) this Base Prospectus, and any supplement thereto;
- (i) any relevant 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); and
- (j) the base prospectus dated 11 December 2015 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) and the official website of the CMVM (www.cmvm.pt).

Post-issuance information

Any information which the Issuer is required by law or regulation to provide in relation to itself or securities issued by it, including the Covered Bonds, will be made available at www.cmvm.pt.

Stabilising Manager

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.

Rating

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 and by Regulation (EU) No. 462/2013 of the European Parliament and the Council (the “**CRA Regulation**”) will be disclosed in the Final Terms.

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 Ernst & Young Audit & Associados, SROC, S.A., member of the Portuguese Institute of Statutory Auditors (*Ordem dos Revisores Oficiais de Contas*) with registration number 178, registered with the CMVM with registration number 20161480, with registered office at Avenida da República, no. 90, 6, 1600-206, Lisboa.

“Bank of Portugal Regulatory Notices” means the secondary legislation passed by the Bank of Portugal over time regulating certain aspects of the Covered Bonds Law, Regulatory Notice 5/2006, Regulatory Notice 6/2006, Instruction 13/2006 and Regulatory Notice 8/2006 and any applicable regulatory notices which may be issued in the future.

“Base Prospectus” means this base prospectus dated 18 January 2018, prepared in connection with the Programme.

“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)) or (2) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

“Capital Requirements Directive IV” or **“CRD IV”** means Directive 2013/36/EU of the European Parliament

and of the Council of 26 June 2013, on access to the activity of credit institutions and the prudential supervision of credit institutions and investment funds, as amended.

“Capital Requirements Regulation” or **“CRR”** means Regulation (EU) no. 575/2013 of the European Parliament and of the Council of 26 June 2013, on prudential requirements for credit institutions and investment firms.

“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.

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

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

“Co-Arranger” means Caixa – Banco de Investimento, S.A. and, together with the Arranger, the **“Arrangers”**.

“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 and restated from time to time.

“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 Ernst & Young Audit & Associados, SROC, S.A., member of the Portuguese Institute of Statutory Auditors (*Ordem dos Revisores Oficiais de Contas*) with registration number 178, registered with the CMVM with registration number 20161480, with registered office at Avenida da República, no. 90, 6, 1600-206, Lisboa.

“Cover Pool Monitor Agreement” means the agreement dated 23 November 2006, currently in force between the Issuer and the Cover Pool Monitor, as amended and restated 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.

“CRA Regulation” means Regulation (EC) no. 1060/2009, of the European Parliament and of the Council, of

16 September 2009, as amended by Regulation (EU) No. 513/2011 of the European Parliament and the Council and by Regulation (EU) 462/2013 of the European Parliament and the Council.

“Credit Institutions General Regime” means Decree-law no. 298/92 of 31 December 1992, 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).

“DBRS” means DBRS Ratings Limited, or any other affiliate or successor as specified in the relevant Final Terms.

“Dealers” means Banco Bilbao Vizcaya Argentaria, S.A., Barclays Bank PLC, Bayerische Landesbank, BNP Paribas, , Caixa–Banco de Investimento, S.A., Citigroup Global Markets Limited, Crédit Agricole Corporate and Investment Bank, Credit Suisse Securities (Europe) Limited, Commerzbank Aktiengesellschaft, Deutsche Bank Aktiengesellschaft, DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main, HSBC France, J.P. Morgan Securities plc, , Mediobanca – Banca di Credito Finanziario S.p.A., Merrill Lynch International, Morgan Stanley & Co. International plc, Natixis, 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.

“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).

“DG Comp” means the European Commission's Directorate General for Competition.

“EBA” means the European Banking Authority.

“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 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..

“Euronext” means Euronext Lisbon – Sociedade Gestora de Mercados Regulamentados, S.A..

“Euronext Lisbon” means Euronext Lisbon, a regulated market managed by Euronext.

“Eurosystème” means the central banking system for the Euro.

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

“Fitch” means Fitch Ratings Limited, or any other affiliate or successor as specified in the relevant Final Terms.

“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.

“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, may 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 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., or any other affiliate or successor as specified in the relevant Final Terms.

“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.

“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 sovereign bonds 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 agent 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.

“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 no. 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 Regulatory Notice 5/2006; and
- (b) the amount determined by resorting to the use of adequate and recognised indexes or statistical methods, whenever an independent valuation of the Property is not required pursuant to the Covered Bonds Law and Regulatory Notice 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 (i) 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 and (ii) Commission Delegated Regulation (EU) No. 382/2014 of 7 March 2014.

“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, Fitch and DBRS, which are registered with the European Securities and Markets Authority under the CRA Regulation.

“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 Regulatory Notices.

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

“Regulatory Notice 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.

“Regulatory Notice 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.

“Regulatory Notice 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 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.

“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.

“TARGET2 Day” means any day on which the TARGET System is open.

“TARGET2 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 applicable to 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, as amended.

“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.

ANNEX – ALTERNATIVE PERFORMANCE MEASURES

In addition to the financial information contained in this Base Prospectus prepared in accordance with the financial reporting framework applicable to the Issuer, some Alternative Performance Measures (“**APMs**”), in accordance with ESMA Guidelines on Alternative Performance Measures dated 5 October 2015 (ESMA/2015/1415en) (the “**ESMA Guidelines**”), are disclosed in this annex. CGD discloses these APMs for better understanding of its financial performance. These APMs constitute additional financial information and shall not, in any circumstance, replace the financial information produced under the applicable reporting framework. The definition and calculation of APMs by the Issuer may differ from the definition and calculation of APMs used by other issuers of covered bonds and may not be compared.

ESMA Guidelines define an APM as a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework. Following the recommendations of ESMA Guidelines, the following APMs are used in this Base Prospectus.

Credit at risk ratio⁽¹⁾

Ratio between loans and advances to customers at risk (gross) and total loans and advances to customers (gross).

Credit at risk ratio, net⁽¹⁾

Ratio between loans and advances to customers at risk and total loans and advances to customers, both aggregates net of accumulated impairment on loans and advances to customers (on Balance Sheet).

Credit more than 90 days overdue ratio

Ratio between the loans and advances to customers with instalments of principal or interest more than 90 days overdue and the total loans and advances to customers balance.

Cost-to-income⁽¹⁾

Ratio between operating costs and the sum of total operating income and results of associates and jointly controlled entities.

Cost of credit risk

Ratio between loans impairment (net of reversals and recoveries) (P&L) and the average loans and advances to customers balance (gross and average of the last 13 monthly observations).

Coverage ratio on credit at risk

Ratio between accumulated impairment on loans and advances to customers (Balance Sheet) and loans and advances to customers at risk.

Coverage ratio on Non-performing credit

Ratio between accumulated impairment on loans and advances to customers (Balance Sheet) and loans and advances to customers in default.

Coverage ratio on credit more than 90 days overdue

Ratio between accumulated impairment on loans and advances to customers (Balance Sheet) and loans and advances to customers more than 90 days overdue.

Employee costs / total operating income ⁽¹⁾

Ratio between employee costs and total operating income.

Gross return on assets (ROA)^{(1) (3)}

Ratio between income before tax and non-controlling interests and average net assets (average of the last 13 monthly observations).

Gross return on equity (ROE)⁽¹⁾⁽³⁾

Ratio between income before tax and non-controlling interests and average shareholders' equity (average of the last 13 monthly observations).

Loans-to-deposits ratio⁽¹⁾

Ratio between total loans and advances to customers net of accumulated impairment on loans and advances to customers (on Balance Sheet) and customer deposits.

Net interest income

Interest and similar income net of interest and similar expenses.

Net interest income including income from equity instruments

Net interest income plus income from equity instruments.

Net operating income

Net operating income before impairments net of provisions and impairments.

Net operating income before impairments

Total operating income net of operating costs.

Net return on assets (ROA) ⁽³⁾

Ratio between income after tax and non-controlling interests and average net assets (average of the last 13 monthly observations).

Net return on equity (ROE)⁽³⁾

Ratio between income after tax and non-controlling interests and average shareholders' equity (average of the last 13 monthly observations).

Non-interest income

Sum of income from services rendered and commissions, net of results from financial operations and other operating income.

Non-performing credit ratio⁽¹⁾

Ratio between loans and advances to customers in default (gross) and total loans and advances to customers (gross).

Non-performing credit ratio, net⁽¹⁾

Ratio between loans and advances to customers in default and total loans and advances to customers, both aggregates net of accumulated impairment on loans and advances to customers (Balance Sheet).

Operating costs

Sum of employee costs, other administrative costs and depreciation and amortization.

Operating costs / average net assets

Ratio between operating costs and average net assets (average of the last 13 monthly observations).

Overdue credit ratio

Ratio between the loans and advances to customers with overdue instalments of principal or interest and the total loans and advances to customers balance.

Provisions and Impairments of other assets (net)

Provisions and impairments of other assets = Provisions net of reversals and other assets impairments net of reversals and recoveries

Restructured credit ratio⁽²⁾

Ratio between restructured and total loans and advances to customers.

Restructured credit ratio not included in credit at risk⁽²⁾

Ratio between restructured loans and advances to customers not included in loans and advances to customers at risk and total loans and advances to customers.

Results from services and commissions

Income from services rendered and commissions net of costs of services and commissions.

Securities investments

Sum of financial assets at fair value through profit or loss, available for sale financial assets, held to maturity investments and financial assets with repurchase agreement (securities).

Total operating income

Net interest income including income from equity instruments and non-interest income.

Total operating income / average net assets⁽¹⁾

Ratio between the sum of total operating income and results from associates and jointly controlled entities and the average of net assets (average of the last 13 monthly observations).

(1) As defined by Bank of Portugal *Instruction 23/2012*.

(2) As defined by Bank of Portugal *Instruction 32/2013*.

(3) Income after tax: net income for the period attributable to the shareholder of CGD and net income for the period attributable to non-controlling interests.

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