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**"), incorporated under Portuguese law, with a fully paid-up share capital of €5,900,000,000 represented by 1,180,000,000 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 may be issued in bearer (*ao portador*) or registered (*nominativas*) form (respectively, "**Bearer Covered Bonds**" and "**Registered Covered Bonds**") and will be represented in book-entry form. The maximum aggregate nominal amount of all Covered Bonds from time to time outstanding under the Programme will not exceed €15,000,000,000 (or its equivalent in other currencies calculated as described herein), subject to increase as described herein. Covered Bonds may be issued on a continuing basis to one or more of the Dealers specified 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 (the "**Prospectus Directive**" which expression means Directive 2003/71/EC (and amendments thereto, including Directive 2010/73/EU, the "**2010 PD Amending Directive**", to the extent implemented in the relevant Member State), and includes any relevant implementing measure in the relevant Member State, of article 26 of the Commission Regulation (EC) No. 809/2004, 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 for this Base Prospectus to be approved. Such approval obtained on 11 December 2015 relates to the application 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**"), or any other regulated market for the purposes of Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments, as amended. 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 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 (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**
Daiwa Capital Markets Europe	**Deutsche Bank**
DZ BANK AG	**HSBC**
Natixis	**J.P. Morgan**
Morgan Stanley	**Nomura**
Société Générale Corporate and Investment Banking	**The Royal Bank of Scotland**
UBS Investment Bank	**UniCredit Bank**

11 December 2015

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RISK FACTORS

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

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

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

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

Risks Specific to the Issuer

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. An investment in the Covered Bonds involves a reliance on the creditworthiness of the Issuer, which will be liable solely in its corporate capacity for its obligations in respect of the Covered Bonds and such obligations will not be the obligations of its officers, members, directors, employees, security holders or incorporators. The Covered Bonds are not guaranteed by any person. In addition, an investment in Covered Bonds involves the risk that subsequent changes in the actual or perceived creditworthiness of the Issuer may adversely affect the market value of the relevant Covered Bonds.

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

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

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

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

The principal competitors of the CGD Group in the banking sector in Portugal (ranking in terms of assets as of 31 December 2014) are the Millennium BCP Group, the Santander/Totta Group, the BPI Group and Novo Banco Group the former BES Group, following the resolution measures applied by the Bank of Portugal to Banco Espírito Santo, S.A. ("**Banco Espírito Santo**") on 3 August 2014). The competition is affected by consumer demand, technological changes, impact of consolidation, regulatory actions and other factors. The Issuer expects competition to intensify as continued merger activity in the financial industry produces larger, better-capitalised companies that are capable of offering a wider array of products and services, and at competitive prices. In addition, competition has increased further with the emergence of non-traditional distribution channels, such as internet and telephone banking. If the CGD group is unable to provide attractive product and service offerings that are profitable, it may lose market share or incur losses on some or all activities.

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

The Issuer's performance is influenced by the economic activity in Portugal

The CGD Group's business activities 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.

As the CGD Group 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 2014, 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.

The Economic and Financial Assistance Programme ("**EFAP**") agreed in May 2011 between the Portuguese authorities, the European Union and the International Monetary Fund comprised a strategy aimed at restoring international financial market confidence in the Portuguese economy and fostering competitiveness and sustainable economic growth. This strategy rested on three pillars:

(i) fiscal consolidation;

(ii) financial system stability; and

(iii) structural transformation of the Portuguese economy.

The EFAP was substantiated in a letter of intent and memorandum of understanding, which were updated with each quarterly review to reflect any progress made and the different implementation stages.

In terms of the financial sector, the main objective of the EFAP was to ensure stability and strengthen the resilience of the Portuguese financial system. Within the scope of EFAP, the strategy, developed by the Bank of Portugal was built on four main goals:

- to strengthen banks' solvency;
- to protect the system's liquidity;
- to reinforce the monitoring and supervision of the banking system; and
- to improve the regulatory framework.

Considerable progress was made across all these fronts and acknowledged by international partners during their quarterly reviews.

Regarding solvency, since 2010 the Bank of Portugal has adopted several measures towards preserving adequate capital ratios, which included recommending the sale of assets, imposing capital increases, limiting the distribution of dividends and setting more stringent capital requirements (Core Tier 1 ratios of 9 per cent. by the end of 2011 and 10 per cent. by the end of 2012, thereby anticipating some of the main Basel III recommendations).

Aside from the additional own fund requirements set by the Bank of Portugal, the four largest Portuguese banking groups were included in the stress test exercise promoted by the European Banking Authority ("**EBA**"), which aimed to strengthen the solidity of institutions in a context of marked uncertainty due to the sovereign debt crisis.

The Core Tier 1 ratio of the Portuguese banking system increased from 8.1 per cent. at the end of 2010 to 12.3 per cent. at the end of 2013. The reinforced solvency largely resulted from recapitalisation operations using private and public funds. Recapitalisation with public funds was made using the Bank Solvency Support Facility ("**BSSF**") provided for in the EFAP, which was established to deal with cases where it is not possible to strengthen capital positions with recourse to market solutions. From the €12 billion provided for in the EFAP, €5.6 billion were used in the form of public investment in recapitalisations of the Portuguese private banking sector, of which €4.03 billion has already been reimbursed. From the remaining contribution of EFAP, €3.9 billion were allocated to the resolution of Banco Espírito Santo, through a loan to the Resolution Fund, which incorporated, as a sole shareholder, Novo Banco, S.A. ("**Novo Banco**").

To reinforce the system's liquidity position, the Bank of Portugal has promoted an orderly deleveraging of the banking system so as to facilitate the transition to more stable and sustainable funding models in the long run.

CGD has tried to ensure that the pace and nature of the deleveraging process are compatible with levels of lending to the economy in line with the adjustment programme's macroeconomic scenario. The Eurosystem has played a crucial role in the reinforcement of the Portuguese banking system's liquidity, namely by adopting standard and non-standard monetary policy measures, including refinancing operations with full allotment and a longer maturity and changes to the eligibility criteria for collateral.

The EFAP was completed at the end of the first half of 2014, without the need for any precautionary package involving external economic aid.

The performance of the Portuguese economy since 2011 has been highly dependent on the implementation of the EFAP. The need to reduce the public deficit was addressed by the adoption of very restrictive budget-oriented policies, with negative impacts on economic activity in the near term. At the same time, the private sector **-** corporate, financial and households **-** continued its deleveraging process. This trend was reversed in the second quarter of 2013 and continued to slightly improve during 2014. This recovery reflected the acceleration in domestic demand, in line with the rising confidence of economic agents, together with the maintenance of substantial export growth.

According to the National Statistics Office ("**INE**"), in 2014, GDP was up 0.9 per cent. (in volume) following a 1.4 per cent. drop in 2013. This trend was induced by domestic demand whose contribution to GDP growth in 2014 was 2.0 per cent. against minus 2.4 p.p. in the previous year, reflecting a recovery in private consumption. The contribution of net external demand was negative, standing at minus 1.1 p.p. (from 1.0 p.p. in 2013) reflecting a stronger growth of imports of goods and services related to exports. However, exports grew 3.4 per cent. (in real terms) despite growth slowdown in 2014 in contrast with 2013.

The continuous deleveraging and financial rebalancing of all business sectors resulted in a surplus of external accounts of 0.7 per cent. of GDP in 2014. The recovery of activity and the fiscal consolidation measures implemented by the Portuguese Government continued to contribute towards a reduction in the general government deficit to about 4.5 per cent. of GDP in 2014. However, this was above the target of 3.8 per cent. of GDP, continuing expenditures and income performing within expectations for the 2015 budget. In previous years, the Portuguese deficit was also below set targets: 4.3 per cent. in 2011 (target of 5.9 per cent.) and 4.7 per cent. in 2012 (revised target of 5 per cent.).

The budget deficit should comply with the 3 per cent. GDP limit imposed by the European Union. Following the general elections in 4th of October 2015, a new Government of the right-party colligation was sworn in 30 October 2015 and forced to resign on 10th November 2015 by a parliamentary left-party alliance. The socialist party, supported by the remaining left-parties, was sworn in on 26 November 2015. New developments in the Portuguese public policies may be expected in the near future, in particular in respect of applicable taxes in Portugal, but in any case the budgetary policy may continue to be restrictive until the end of 2015 and the following years and thus continue to have an impact on economic growth.

On the 23rd of September 2015 INE confirmed the impact, following the failure to sell Novo Banco, on the 2014 deficit, placing the budget deficit for 2014 in 7.2 per cent. of GDP, a value which is above the 4.5 per cent. previously reported.

Nonetheless, in the near future namely in 2015, budgetary policy should continue to be quite restrictive as well as in the following years and thus continue to have an impact on economic growth.

Economic activity in Portugal in the second quarter of 2015 showed a GDP growth (in volume) of 1.5 per cent. in comparison with the first quarter of 2014, a rate of change also observed in the first quarter of 2015 and seasonally-adjusted grew 0.4 per cent. in the second half of 2015 over the previous period, matching the first quarter results, thus registering the fifth consecutive quarter of growth and confirming the gradual strengthening of the economy observed in 2014. There were successive signs of confidence in the second quarter, with the economic climate indicator having improved for the sixth consecutive quarter to its highest since September 2008. Consumer confidence was also at its highest since November 2009.

Individual consumption posted a growth of 3.3 per cent. during the first half of 2015 (0.8 per cent. more than in the previous quarter) when compared to the first half of 2014, to which the main contribution was non-durable goods. Investment expenditure also made a positive contribution to GDP growing 7.0 per cent. in the second quarter of 2015 (following an increase of 1.7 per cent. in the previous quarter), mainly due to oil stock increases. Evolution of net exports continued the positive trend in the first half of 2015.

According to the National Statistics Office (INE) Portuguese unemployment rate declined to 11.9 per cent. in the second quarter of 2015 from 13.7 per cent. reported in the previous period, as the number of unemployed decreased 13 per cent. and employed grew 2.3 per cent.. It was the lowest value since the fourth quarter of 2010.

Although the outlook for the recovery of economic activity in Portugal has been improving, with the projections for the Portuguese economy pointing to a gradual economy recovery for the period 2015-2017, risks remain to the Portuguese economy, including the impact of continued weak growth in many parts of the global economy. In this period, the Portuguese economy is projected to grow by 1.7 per cent. in 2015, 1.9 per cent. in 2016 and 2.0 per cent. in 2017. At the end of the projection horizon, GDP level should close to the level seen prior to the onset of the international financial crisis in 2008.

As such, projected developments in the Portuguese economy reflect a substantial alteration to the expenditure structure shifting productive resources to sectors that are more exposed to international competition, similar to that seen over the past few years. The net contribution from domestic demand to GDP growth should increase over the projection horizon, moving from 0.3 p.p. in 2014 to 0.8 p.p. in 2017. Exports should grow strongly over this horizon, where net contributions growth should increase from 0.6 p.p. in 2014 to around 1.2 p.p. of and 2017.

Exports should growth substantially, thus strengthening the recent trend of reallocation of productive resources to the economic sectors that are more exposed to international competition. Consequently, the Portuguese economy net lending needs should remain stable and the reduction in external indebtedness should be sustained.

The pace of growth of private domestic demand should be consistent with the continued deleveraging of private economic agents (households and non-financial corporations). Consumption and investment decisions by households and firms over the next few years should continue to be conditioned by the need for private sector deleveraging. Similarly to the past few years, the weight of domestic demand on GDP should continue to decrease over the projection horizon, as opposed to the growing weight of exports. In 2017 exports are projected to stand at approximately 46 per cent. of GDP (a 14 p.p. increase from 2008), which is one of the most significant aspects of the ongoing adjustment process in the Portuguese economy. Regarding domestic demand components, projections point to a share of approximately 66 p.p., in GDP, closer to that observed in the past.

Private consumption is expected to grow by 2.2 p.p. in 2015, slowing down to 1.7 p.p. in 2016 and 2017, a moderate recovery affected by high indebtedness levels, owing to a large extent to the profile of real household disposable income. In effect, real disposable income is projected to grow by slightly more than 2 per cent. in 2015 and by approximately 1.7 per cent. for 2016 and 2017. Projected developments in private consumption and disposable income indicate that after a market drop in the saving rates in 2014 to 6.9 per cent. current projections point to a relative stabilization over the project horizon, in line with a continued reduction of household indebtedness as a percentage of disposable income, which is expected to decrease up to 23 p.p. in the 2011-2017 period (source: Bank of Portugal and INE – National Statistics Office). Further significant consolidation efforts will be necessary in 2015 to reach the deficit target of 2.5 per cent. of GDP. Looking ahead, sustained consolidation efforts will be required over the medium term to reach the budgetary objective of a structural deficit of 0.5 per cent. of GDP by 2017 in compliance with the commitments under the Stability and Growth Pact and the Fiscal Compact.

To ensure the effectiveness of the medium-term fiscal consolidation efforts, tight control of expenditure must be maintained while additional steps to strengthen tax compliance will be required to make the tax system fairer and bolster revenue performance. To this end, further improvements in the system of public financial management will be necessary across all sub-systems of general government. This includes the timely completion of the broader reform of the Budget Framework Law, a revised accounting and reporting framework, stricter compliance with the commitment control law, streamlining of the budget appropriation structure, strengthened accountability and a longer time horizon and broader scope of the analysis of fiscal risks. Employment in the public sector needs to be further streamlined, with appointments and remuneration strictly based on merit. Cost-cutting efforts must continue in the state-owned enterprises, so as to ensure that they maintain at least a zero operational balance. More specifically, legacy debt continues to weigh on the financial results of transport SOEs (State-Owned Enterprises) suggesting the need for a comprehensive debt strategy to restore their financial sustainability.

Financial stability has been preserved and efforts supporting an orderly deleveraging of banks' balance sheets continue. Capital buffers are broadly adequate and liquidity conditions have further improved, while the authorities continue to scrutinise the resilience of the banking system to ensure compliance with the new regulatory requirements. However, low profitability, high non-performing loans ratios and high corporate debt levels pose major challenges for the banks, affecting the ability of the economy more generally to grow in the future. Several large banks (CGD, Novo Banco (former Banco Espírito Santo), Millennium BCP and Banco Santander Totta) were able to return to the markets and the aggregate deposit base has proven resilient, allowing banks to reduce their reliance on Eurosystem borrowing. New loans to the corporate sector have been increasing and interest rates have eased to some extent, but remain still significantly above the rates charged to corporations in other parts of the Euro area. In order to reduce the large corporate debt overhang, a strategic plan to facilitate debt workouts will be prepared. This plan will focus particularly on viable small and medium-sized enterprises, with a view to supporting the necessary capital reallocation towards the productive sectors of the economy.

Continued structural reforms are needed to reinforce and sustain the switch to a sustainable export-led economic growth model. The Portuguese government has already adopted a range of some challenging structural reforms but, despite some early signs, their impact on the functioning of the economy will only materialise gradually. The effective implementation of these reforms is crucial to rebalance the economy and boost its growth potential, and implementation progress must be continuously evaluated, including in areas which have been successfully completed under the EFAB such as the urban lease and judiciary reform. Remaining bottlenecks which inhibit Portuguese companies from competing with their foreign counterparts on a level-playing field need to be tackled effectively. In particular, building on the reforms already carried out its important to maintain the reform momentum through further efforts in labour markets, network industries, services and regulated professions as well as providing a more streamlined and business-friendly public service.

Recent bond issues combined with remaining EFAP disbursements ensure that the public sector's funding needs for 2015 are covered. The ratio of public debt to GDP remains high – with gross debt being additionally inflated by the accumulation of substantial cash buffers - but it is sustainable provided that the reform momentum and fiscal adjustment is maintained beyond the Programme horizon. Reaching a broad-based political understanding that fiscal discipline and structural reform have to underpin Portuguese future policies would constitute an important anchor for restoring full and sustainable market financing.

The Portuguese economy has undertaken a major macro-economic adjustment, shouldering significant costs through the fall in activity and the under utilisation of factors of production. Renewed momentum geared to employment creation and investment (including foreign investment) will only be brought about by the maintenance of social stability and a continuing improvement of competitiveness. The costs of the adjustment may require the reallocation of resources to certain sectors, driven by private sector decisions and benefiting from the catalysing role of the public sector. In this context, the existence of a favourable external framework is also a crucial factor, not only in terms of external demand growth, but also in terms of building a stronger European institutional framework that generates confidence in economic agents.

The Portuguese economy is an integral part of an increasingly demanding global economy. From a structural point of view, firms will need to be flexible and innovative, given the increasing speed of innovative processes, the added competition to attract inward foreign investment, and the wider repercussions of economic crises and volatility in financial markets. The macro-economic difficulties facing the Portuguese economy at this point in time imply substantial social costs and bring risks, but these should not limit the willingness to pursue a broad structural reform agenda, including the administration of the State and the design of social policies. These reforms should bring about structural reductions in public expenditure, and mainly ensure a framework of stability and the promotion of competitiveness to ready the economy for its current challenges.

Constant changes in this framework are not conducive to investment or to the sustained creation of employment, and these are the essential pillars on which potential output can be built.

Several challenges persist as fiscal consolidation is still unfolding, public debt levels remain high and it is still unclear if the Portuguese economy will start 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 held at depressed prices or on unfavourable terms.

The current economic environment is a source of challenges for the CGD Group, 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 the CGD Group's clients, and consequently, the supply and demand of the products and services that the CGD Group has to offer. In particular, limited growth in customer loans is expected in the coming years, which will make it difficult for the CGD Group to generate enough interest income to maintain its net interest margin.

In short, credit will continue to be constrained by the persistence of high levels of leverage and insufficient corporate capitalisation and, eventually, the fact that several banks may have a low risk exposure capacity, owing to greater regulatory demands over the last few years.

The ECB's management of monetary policy, notably as regards its endeavours to normalise the workings of the money market and the reduction of investors' risk aversion levels, continues to be a crucial factor in reducing the cost of financing and easing the pressure on net interest income being felt by Portuguese banks and the rest of Europe. The ECB has implemented, since the end of 2014, three new purchase programmes of financial assets comprising: asset-backed securities ("ABS"), covered bonds (up to a maximum of 70 per cent. of each issue, as identified by the ISIN code) and public sector debt (comprising public debt and debt issued by supranational issuers, up to a maximum of EUR 60 billion per month).

Furthermore, the maintenance of high unemployment rates, the reduction of the profitability of enterprises and an increase in company and personal insolvencies have had, and are expected to continue to have, a negative influence on the ability of CGD Group'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 the quality of assets of the CGD Group.

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, on more than one occasion over the last years, downgraded the long term rating of Portugal. Current ratings are as follows: S&P: BB+ as of 18 September 2015, with credit watch stable as of 18 September 2015; Moody's: Ba1 as of 25 July 2014, with credit watch stable as of 25 July 2014; Fitch: BB+ as of 24 November 2011, with credit watch positive as of 25 September 2015; DBRS: BBB (low) as of 30 January 2012, with credit watch stable as of 13 November 2015. Each of Moody's, S&P, Fitch and DBRS is established in the European Economic Area ("**EEA**") and registered under the CRA Regulation. The rating downgrades were due, essentially, to the uncertainties and risks arising from the budgetary consolidation process under the EFAP, the low competitiveness of the Portuguese economy abroad, the external funding difficulties and the sustainability of the public debt dynamics. The outlook of the rating agencies for Portugal is dependent on, among other things, the successful implementation of the measures included in the EFAP. There might be further downgrades of the long term rating assigned to Portugal in the future, namely in the case of, drastic deterioration of the public finance situation arising from weaker performance of the economic activity, caused by the austerity measures adopted internally or induced by contagion as a consequence of the slowdown in the economic activity of the main trading partners of the Portuguese economy, in particular Spain, or if the market perceives these measures as insufficient or as a result of the lack of success of structural reforms, simplification of State administration and streamlining of the justice system. Under these circumstances, the perceived credit risk of Portugal will increase, with negative effects on the credit risk of Portuguese banks (including the Issuer) 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 has relaxed the rules for the eligibility of assets to be used as collateral for discount operations. In any event, 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.

The Issuer's performance is influenced by the economic activity in other markets where it operates

The CGD Group's business activities are also undertaken in markets other than Portugal, both in the EU and in non-EU countries, including emerging markets. It is inter alia present through branches and subsidiaries in Spain (Banco Caixa Geral, with a total of 110 branches and Caixa_BI with 1 branch), France (French Branch (Sucursal de França) with 48 branches), Mozambique (Banco Comercial e de Investimentos with 171 branches) and Cape Verde (Banco Interatlântico, Banco Comercial do Atlântico with 42 branches) and other branches abroad (75). Accordingly, the CGD Group is subject to the applicable economic environment in the non-Portuguese markets in which it operates. In particular, levels of borrowing are heavily dependent on customer confidence, employment trends, the state of the economy and market interest rates in such countries.

Regarding CGD Group's business activities in Angola, Banco Caixa Totta de Angola, S.A. (BCGTA) strategic focus is on the corporate segment and prime private customer's segment. It operates in close collaboration with other CGD Group banks and handles customers' investment needs in Angola. The bank furthered its oversight policy on the business affairs of CGD Group customers in the first half of 2015, both in terms of backing Portuguese companies with investment processes in Angola and foreign trade between Portugal and Angola and between other geographies in which the group operates as well as the internationalization of Angolan companies in Portugal or countries in which the CGD Group operates.

BCGTA is committed at developing banking services such as leasing and insurance as well as electronic channels while continuing to reorganize several key areas with the aim of improving its operational flexibility and customer service quality level.

CGD`s activity could be negatively influenced by the current economic situation in Angola, where the external shock emanating from the fall of oil prices (which started in 2014 and continued in the first half of 2015) is constraining the performance of the Angolan economy in 2015. It had a significant effect on Angola´s Budget for the years 2014 and 2015, which had to include cuts on expenditure – particularly, investment - and fiscal measures aimed at controlling importation of consumer goods. The Angolan Government has estimated that economy growth decelerated in 2014 as a result of the lower oil revenues arising from lower prices which a moderate increase in production was unable to offset.

To mitigate this situation, the Angolan Government approved a National Development Plan for 2013 - 2017 with the objective of creating greater economic diversification and improve public expenditures efficiency.

In addition, control of payments abroad which have already been impacted by the depreciation of the Kwanza in 2014 and 2015 could have further limitations on specific transactions if they aren't a priority under this Plan.

Consequently, the lack of currency liquidity and the economic slowdown could weight on the banking system and adversely affect the business and revenues of BCGTA.

As such, CGD Group's international operations are subject to risk associated with legislative (namely taxations and customs laws), judicial, accounting, regulatory, geopolitical (such as political and government turmoil that may freeze international money transfers), commercial and economic risks and conditions specific to the countries or regions in which the Issuer operates which could adversely affect its business and therefore its financial performance.

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.

As of the date hereof CGD enjoys the following short-term and long-term ratings: In June 2015 Moody's has upgraded CGD`s standalone baseline credit assessment from "caa1" to "b3" and has downgraded the long-term deposit and senior debt ratings from Ba3 to B1 with a stable and negative outlook respectively, and the short-term deposit and senior debt ratings remain at N/P.

On the other hand, in December 2014, the rating agency DBRS has revised the outlook on CGD from negative to stable and in 20 November 2015 DBRS confirmed its ratings for CGD namely the senior long-term debt and deposit rating of BBB (low) and the short-term debt and deposit rating of R-2 (middle) and the abovementioned stable outlook.

Moreover, in May 2015 Fitch has reduced its ratings for CGD, namely the senior long-term debt and deposit rating to BB-, having confirmed the viability rating of bb- and the short-term debt and deposit rating of B with stable outlook. Finally, on September 2015, S&P revised the outlook on CGD from stable to positive and reaffirmed CGD's BB- and B ratings for long- and short-term debt and deposits, respectively.

Regulation of the financial sector

The CGD Group operates in a highly regulated industry. The banking activities of the CGD Group are subject to extensive regulation by, among others, the ECB, the Bank of Portugal, the EBA, the European and Securities Markets Authority ("**ESMA**") and the CMVM, as well as other supervisory authorities from the EU and the countries in which CGD conducts its activities. Such regulations relate to liquidity, capital adequacy and permitted investments, ethical issues, money laundering, privacy, securities (including debt instruments) issuance and offering/placement, financial intermediation issues, record-keeping, marketing and selling practices.

Those regulations are complex and its fulfilment implies high costs as regards time spending and other resources. Additionally, non-fulfilment of the applicable regulations may cause damages to the Issuer's reputation, application of penalties and even loss of authorisation to carry out its activities.

As a consequence of 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, 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 CGD participates, or cause a change in the fees or commissions that CGD charges on certain loans or others and consequently any of these events may have a material adverse effect on CGD business, financial condition and the results of its operations.

The fulfilment of current and future capital requirements as set out by the European authorities and by the Bank of Portugal

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 that institutions need to respect (the Capital Requirements Regulation or "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 Capital Requirements Directive IV or "**CRD IV**").

The CRR is directly applicable to the European States since 1 January 2014 and includes provisions relating to, for instance, own funds requirements, minimum capital ratios, liquidity ratios. Regarding capital ratios, banks were obliged to a minimum compliance with a gradually increase until 1 January 2019 (Core Tier 1 of 4.5 per cent., Tier 1 of 6 per cent. and a total ratio of 8 per cent. in 2019).

The CRD IV includes general rules and supervision powers, wages, governance and disclosure requirements as well as an introduction of 5 additional capital buffers:

- A capital conservation buffer of 2.5 per cent. of risk-weight assets;
- Countercyclical capital buffer rate between 0 and 2.5 per cent. of Core Tier 1 assets, pursuant to the conditions to be established by the competent authorities;
- Systemic risk buffer: i) applicable to the institutions with a global systemic importance: between 1 and 3.5 per cent.; ii) applicable to other institutions with a systemic importance: between 0 and 2 per cent.; and iii) macroprudential systemic risk: between 1 and 3 per cent. or between 3 and 5 per cent., depending on the economical conjecture.

These buffers, apart from the macroprudential systemic risk, are predicted to apply gradually from 2016, although the Member States may anticipate their application.

Considering the minimum capital levels already defined on both the CRR and CRD IV, banks shall comply with:

- Minimum Common Equity Tier 1 ratio: 7 per cent. (4.5 per cent. base value and an additional 2.5 per cent. of capital conservation buffer);
- Minimum Tier 1 ratio: 8.5 per cent. (6 per cent. base value and an additional 2.5 per cent. capital conservation buffer);
- Total ratio: 10.5 per cent. (8.0 per cent. base value and an additional 2.5 per cent. capital conservation buffer).

A 5 year transitory period was projected in order to adapt the previous applicable rules to the new regulations.

The CRD IV has been transposed in Portugal by Decree-Law no. 157/2014 which has amended several laws and decree-laws, including the General Regime for Credit Institutions and Financial Companies ("**RGICSF**", enacted by Decree Law no. 298/92, of 31 December).

On 23 October 2013, the ECB announced the details *vis-à-vis* the complete assessment to be done as prelude to its upcoming supervision responsibilities within the single supervisory mechanism. The assessment begun in November 2013 and lasted 12 months. The reference ratio value for such assessment was 8 per cent. Common Equity Tier 1, according to the CRD IV definitions takes into account transitional arrangements.

CGD was subject and completed the EU-wide comprehensive assessment conducted by the European Central Bank in cooperation with the national competent authorities. 130 banks were subject to this exercise. The comprehensive assessment was performed in conjunction with Bank of Portugal by the ECB prior to assuming full responsibility for supervision under the Single Supervisory Mechanism in November 2014. The comprehensive assessment comprised two main pillars: an asset quality review (AQR) and a stress test.

The projection for the CGD's CET1 (transitional dispositions) ratio, in 2016, was 9.40 per cent. for the base and 6.09 per cent. for the adverse scenario, i.e. in both cases higher than the minimum thresholds of 8 per cent. for the baseline scenario and 5.5 per cent. for the adverse scenario established in the exercise.

The referred to assessment which included the AQR (Asset Quality Review) and Stress Test, confirmed CGD's balance sheet's capacity to cope with very stringent asset valuation criteria, in addition to the effects of a hypothetical new sovereign debt crisis scenario. Further details on the results of the AQR and stress test under the baseline and adverse scenarios as well as information on credit exposures and exposures to central and local governments are available for consultation at:

https://www.cgd.pt/English/Investor-Relations/Investor-Information/Announcements/Material-Information/Documents/20141026_CGD_COMPREHENSIVE_ASSESSMENT_EN.pdf

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

As of 30th of June 2015 the Common Equity Tier 1 ("**CET 1**") ratio, calculated in accordance with CRD IV/CRR "fully implemented" rules, considering the Special Regime applicable to DTA – Deferred Tax Assets, was 9.8 per cent., against 10.2 and 11.0 per cent., at 31 December 2014 and 30 June 2014 respectively (minimum of 7 per cent., comprising a CET 1 of 4.5 per cent. and buffer of 2.5 per cent.).

As of 30th June 2015, the CET 1 ratio, calculated in accordance with CRD IV / CRR "phasing-in" rules (considering the Special Regime applicable to DTA – Deferred Tax Assets), was 11.0 per cent. against 11.7 and 11.1 per cent. at 30 June 2014 and 31 December 2014 respectively. The reference value considered in the base scenario for the valuation of assets by the ECB was 8 per cent..

Recapitalisation of the Issuer may have an adverse effect on CGD's activity and prospects over the next years

As a result of the implementation of the EFAP agreed with the European Union institutions and the International Monetary Fund and the requirements of the EBA, the Bank of Portugal required Portuguese banks: (i) in general, to increase their Basel II Core Tier 1 capital ratio to 10 per cent. by 31 December 2012 and (ii) in respect of those subject to the EBA sovereign buffer requirements, to increase their EBA Basel II Core Tier 1 capital ratio to 9 per cent. (after taking into account the sovereign buffer, based on their exposures to sovereign debt as of September 2011).

To meet the EBA requirements by 30 June 2012, the Portuguese State, as CGD's sole shareholder, approved a recapitalisation plan in the amount of 1,650 million Euros, which included:

- A capital increase by its shareholder in the amount of 750 million Euros; and
- An issuance of hybrid financial instruments, eligible as Core Tier 1, amounting to 900 million Euros, fully subscribed by the Portuguese State, the conditions of which are attached to Order ("*Despacho*") 8840-C/2012 of the Portuguese Minister of Finance and State of 28 June 2012.

CGD's recapitalisation was successfully completed before the end of June 2012.

The capital injection by the Portuguese State was considered State aid and subject to an individual State aid decision by the European Commission (Decision SA.35062 (2012/N)).

On 24 July 2013 the European Commission announced that it approved the Decision on the approval of CGD's restructuring plan, in accordance with the EU rules on State aid. The abovementioned Order ("*Despacho*") and EC Decisions entail a number of obligations, restrictions and limitations to CGD, as follows:

- The deleveraging of CGD group's balance sheet with the disposal of its insurance arm and its other non-strategic investments, in addition to its run-down of non-core assets;
- Improved operational efficiency, providing continuity to the endeavours, already in progress, to reduce operating costs by optimising the number of branches and employees and renegotiating service agreements;
- Restructuring of activity and the streamlining of CGD's branch office in Spain with the objective of ensuring its long term feasibility and autonomy from CGD in funding terms, in addition to ensuring a positive contribution to the group's results. This restructuring, involving the streamlining of its branch office network and optimisation of services and processes, resulted in a downsizing of the number of employees and the concentration of CGD's non-core assets in its Spain branch which will manage the respective run-off. In particular, this included the commitment to reduce the number of branches and to strategically focus on retail banking activities (individual customers and SME) – reduction of the number of branches to 100-110 and of the number of employees to 500-523. To avoid the need for additional measures, performance indicators for the restructuring plan have been defined, to be achieved by this operation by 2015;
- Restructuring of Ex-Banco Português de Negócios (BPN) assets: CGD restructuring plan comprises the gradual run-off of the assets stemming from the Ex-BPN's debt, which is underway so to reduce the portfolio of assets to € 0-5 billion until the end of 2017;
- Repayment of CoCo bonds: CGD restructuring plan comprises the gradual repayment of the CoCo bonds during the restructuring period, keeping an adequate capital buffer. For such purpose, CGD has committed to apply a variable percentage of its excess capital above the applicable minimum capital requirement under European and Portuguese law, which for the year 2015 and the following years corresponds to 90-100 per cent. of its excess capital; additionally, the CoCo repayment may

be, totally or partially, suspended on the basis of a reasoned request by CGD. Notwithstanding the aforementioned commitment, the CoCo bonds have not been repaid by CGD.

CGD's and CGD group's operating commitments include, namely:

- Not to acquire any equity stakes or assets corresponding to the performance of an activity, in excess of certain limits. This undertaking, however, does not apply in various situations such as acquisitions related with the management of loans and advances to customers in distress, within the scope of CGD's current activities;
- Not to pursue aggressive commercial strategies;
- A reduction of proprietary trading to the minimum required for the treasury function;
- Not to lay claim to state aid or benefits therefrom deriving for advertising purposes;
- Not to pay any dividends, coupons or interest to holders of preference shares or subordinated debt, when such payments do not derive from a contractual or legal obligation. Such payments will, however, be permitted if it is shown that any failure to make them could prejudice the redemption of core tier 1 equity instruments issued by CGD and subscribed for by the state in June 2012;
- An investment of €30 million per annum in a fund to invest in the equity of Portuguese SMEs and mid-caps, under the recapitalisation plan agreed with the Portuguese state. Any investment in excess of this amount must be approved in advance by the European Commission;
- The continued expansion of its oversight policy on operational risk and prudent, healthy commercial policies geared to sustainability;
- The appointment of a monitoring trustee, to oversee the implementation and performance of the measures set out in the restructuring plan;
- Not to set up new businesses outside the geographies in which CGD group was not previously present;
- To comply with all regulations and legal requirements on remuneration policies.

These obligations, restrictions and limitations may adversely impact CGD's activity in comparison with other credit institutions not subject to State aid procedure. Furthermore, the implementation of CGD's restructuring plan may also have an adverse effect on CGD's activity, business and results and prospects over the next years.

New Requirements related to the liquidity ratios may affect profitability

Basel III recommendations endorse the implementation of liquidity coverage ratios of short and medium/long term, known as Liquidity Coverage Ratio and Net Stable Funding Ratio. The Liquidity Coverage Ratio, which was expected to be implemented gradually starting from 2015, addresses the sufficiency of the high quality liquidity assets to meet short-term liquidity needs under a severe stress scenario. The Net Stable Funding Ratio, 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 one year period. In the present year, the financial institutions should maintain in its own portfolio high quality liquidity assets corresponding to 60 per cent. of the net assets' exits in the following 30 days.

The Liquidity Coverage Ratio was 135.9 per cent. at the end of June 2015 (99.9 per cent. the year before) and the Net Stable Funding Ratio was 134.4 per cent. at the end of June 2015 (124.9 per cent. the year before). The minimum Liquidity Coverage Ratio applicable as of 1 January 2015 is 60 per cent. and the Net Stable Funding Ratio should be equal to at least 100 per cent. on an ongoing basis.

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

The new framework for the recovery and resolution of credit institutions may have an adverse effect 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 resolution framework has been 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 which transposed Directive 2014/59/UE of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions (the "**EU Crisis Management Directive**" or "**BRRD**").

The reorganisation regime previously in force governing credit institutions was extensively reviewed and was indeed replaced by a new approach of the Bank of Portugal as regards the intervention on credit institutions and investment firms in financial distress. The measures set out in the new regime aim at recovering or preparing the orderly winding-up of credit institutions and certain financial companies in situations of financial distress. The new toolbox includes three stages of intervention by the Bank of Portugal: preparatory and preventive measures, prior supervision intervention, and instruments and powers of resolution. The implementation of these measures and the exercise of these powers will directly affect the rights of shareholders and creditors.

Credit institutions will be required to produce suitable recovery plans to resolve problems with liquidity, solvency, or overall exposure to risk, and to keep such plans up-to-date. To complement the resolution plans, the Bank of Portugal has been given preventive powers, including the powers to limit or modify exposure to risk, require additional information, set restrictions or prohibitions on certain activities and changes to group structures.

Within the scope of preventive interventions, the Bank of Portugal has been given powers to prohibit the distribution of dividends to shareholders, to replace managers or directors, and to require credit institutions to transfer assets that constitute an excessive or undesirable risk to the soundness of the institution.

These actions may have a direct effect on shareholders and the CGD Group's expected returns and additional indirect impacts through changes to such institutions' business activities.

Further, resolution measures may be applied when a credit institution or an investment firm covered by the resolution regime does not meet, or is at serious risk of not meeting the requirements for the maintenance of its licence, and when the implementation of such measures is considered imperative for the pursuance of at least one of the following objectives:

- Ensure the continuity of essential financial services;
- Prevent systemic risk;
- Safeguard public funds and taxpayers' interests;
- Safeguard depositors' confidence.

For the purposes of applying resolution measures, an institution is considered to be at serious risk of not meeting the requirements for the maintenance of its licence when one of the following situations occurs, or when sufficient reasons exist to suggest that they may occur in the short run:

- The institution has losses that may exhaust its capital stock;
- The institution's assets have become lower than its liabilities;
- The institution is unable to meet its obligations.

The resolution measures include, specifically:

- The total or partial sale of the assets and liabilities of the distressed financial institution to one or more financial institutions authorised to operate in the market;
- The bail-in tool which may be generally applied to all liabilities of an institution subject to resolution, with certain exceptions, which include secured credits, such as the covered bonds. Accordingly, if the cover pool is insufficient to meet all the claims of the holders of covered bonds under the relevant covered bonds, in that part (where holders will have an unsecured claim over the issuer), holders may become subject to bail-in;

The creation of a bridge bank and the transfer of all or part of the assets and liabilities of the institution in financial distress to that bank. In such case, the newly incorporated bridge bank shall be funded through the Resolution Fund, in accordance with articles 145-H(6) and 153-C of the RGICSF. The Resolution Fund created by Decree-Law no. 31-A / 2012, of 10 February, is a public-law legal person designed to provide financial support to the application of the resolution measures ordered by Bank of Portugal. It is fully funded by the financial sector through initial and periodical contributions from member institutions, including the Issuer, whose amount shall be fixed on an annual basis, as set out in Decree Law no. 24/2013, of 19th February, and the revenue arising from the contribution over the banking sector. The financial assistance provided by the Resolution Fund may also include, among others, the transfer of cash to the acquirer bank or to the bridge bank, the provision of guarantees, the granting of loans, and the paying-up of the capital stock of bridge banks. The Deposit Guarantee Fund (*Fundo de Garantia de Depósitos*) may also provide financial assistance for the implementation of resolution measures, but only in the case of the transfer of deposits placed with the institution in distress to another credit institution authorised to take deposits or to a bridge bank, and only to the amount needed to cover the difference between the amount of covered deposits and the value of the assets sold or transferred; moreover, funding by the Deposit Guarantee Fund shall in no circumstances exceed the costs of a direct reimbursement to the depositors.

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

Both the RGISCF (article 145-D(1)) and the BRRD (article 34) generally determine that the shareholders of the institution under resolution bear losses in the first instance and creditors of the institution under resolution bear losses after the shareholders in accordance with the order of priority of their claims.

Also in accordance with article 145-Y of the RGICSF, financial institutions will be required to meet a minimum requirement for own funds and eligible liabilities (MREL) capable of being bailed in. The requirement will be equal to a percentage (to be set by the national resolution authority on an institution-by-institution basis from 1st January 2016 at the latest) of total of liabilities and own fund of the financial institution, which is not yet defined. In order to comply with this ratio, CGD may be requested in the future to issue additional liabilities capable of being bailed in.

The recent imposition of a resolution measure on Banco Espírito Santo S.A. may prejudice investors'

and economic agents' positive perception of the Portuguese financial system

On 4 August 2014, the Governor of the Bank of Portugal announced the imposition of a resolution measure on Banco Espírito Santo, consisting of a transfer of business to a bridge bank, the so-called 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 approved by the Bank of Portugal.

The share capital of Novo Banco in the amount of €4.9 billion was fully underwritten by the Resolution Fund. Of this, €3.9 billion come from a loan granted by the Portuguese State (which, in turn, was financed with available funds under the EFAB) to be repaid and remunerated by the Resolution Fund, primarily from the proceeds obtained with the sale of Novo Banco (which was suspended after the frustration of negotiations with three prospective purchasers selected by Banco de Portugal and is expected to be resumed in accordance with the Bank of Portugal notice of 14 November 2015). The remaining amount was funded by the own funds of the Resolution Fund and from loans granted by the credit institutions, including the Issuer, participating in the Resolution Fund, in the total amount of €700 million. The Issuer's share of this loan was €174.3 million.

On 14 November 2015, the ECB announced the results of the Comprehensive Assessment exercise performed on Novo Banco, an overall assessment of capital adequacy conducted by the ECB, which included stress testing. Novo Banco completed the ECB Banking Supervision stress test in the baseline scenario, but a shortfall of €1.398 million was identified in the adverse stress test scenario. These results will imply additional capital requirements for Novo Banco, to be discussed during the next weeks and may imply additional loans granted by the Portuguese State to the Resolution Fund which will subsequently be repaid and remunerated by the Resolution Fund (which, as described below, is financed by the credit institutions participating in the Resolution Fund, including CGD) and/or loans to be granted by the credit institutions participating in the Resolution Fund, including CGD.

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. Contribution to the Resolution Fund is adjusted to the risk profile and the systemic relevance of each participating institution considering its solvency situation.

Notice 1/2013 (as amended) issued by the Bank of Portugal, in its article 2(1), determines that the methodology to calculate periodic contributions to the Resolution Fund is the application of a contributive rate to the end of month outstanding balance of liabilities, deducted by own funds and deposits already included in the Deposit Guarantee Fund.

The rate to be applied is set by a regulatory instruction issued by Bank of Portugal. For 2014, the rate was 0.015 per cent., as defined in the Regulatory Instruction 27/2013 issued by the Bank of Portugal and for 2015, the rate also is, as defined by the Regulatory Instruction 33/2014, 0.015 per cent..

Decree-Law no. 24/2013, of 19 February, establishes the calculation method of the initial, periodic and special contributions of the participating institutions to the Resolution Fund. Special contributions, in accordance with article 17(2), should be distributed proportionally among participating institutions, according to the respective level of participation in the Resolution Fund, determined by the ratio between its last annual contribution and the total annual contributions of its members. Against this background, given the relative size and composition of CGD's balance sheet, the Issuer's estimates, on the date hereof, CGD's participation in the Resolution Fund to be between 20 per cent. and 25 per cent.. However, this number varies over time and it is very difficult to determine the exact participation at a given point in time. If only the CGD’s share of €174.3 million in the €700 million loan, granted by the credit institutions to the Resolution Fund to capitalise Novo Banco, is considered, CGD’s participation would be of 24.9 per cent..

The proceeds obtained with the sale of Novo Banco will be used to repay the loans obtained. In the event that the proceeds from the sale of Novo Banco’s equity are insufficient to repay the loans, the resolution fund will use its own receipts to finance the possible shortage. These receipts are obtained from annual regular contributions to the resolution fund (including the contribution from the Portuguese credit institutions) and any special contributions. At this stage it is not possible to ascertain if said proceeds will be sufficient or not, and, in case these are not sufficient, the specific impact and amount of any special contribution from the Portuguese banking sector, including the Issuer, is also uncertain.

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**”) and the harmonization of the deposit guarantee systems throughout the EU entered into force. The recast DGSD was recently transposed in Portugal through Law no. 23-A/2015, of 27 March 2015, amended by Law no. 66/2015, of 6 July 2015.

As a result of these developments, the CGD Group may incur additional costs and liabilities. The additional indirect costs of the deposit guarantee systems may also be significant, even if they 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 their business activities, financial condition and results of operations.

Changes to tax legislation and to other laws or regulation

CGD might be adversely affected by changes in the tax legislation and other laws or regulations applicable in Portugal, the EU or those foreign countries in which it operates or may operate in the future, as well as by changes of interpretation by the competent tax authorities of legislation and regulation. The measures taken by the Portuguese Government in order 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 CGD’s business, financial condition and results of operations.

The recovery and value of the Issuer’s assets are subject to adverse changes in the credit quality of the Issuer’s borrowers and counterparties

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

The Issuer’s business relies on the soundness of other counterparties

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

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

Market risks such as interest rate, foreign exchange and bond and equity price risks are faced by the Issuer

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

Operational risk

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

Changes in supervision and regulation could materially affect the Issuer's business, the products and services it offers or the value of its assets.

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

The international financial markets crisis may affect the Issuer's business

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

By the end of 2013 a substantial improvement in investor sentiment was being felt, based on perceptions of accelerating economic growth in the developed blocs, particularly the US and Europe. During 2014 the world economy continued to grow across the main regions and economies although at a heterogeneous pace. Whereas in the US and UK recovery picked up speed and economic activity accelerated - mainly driven by domestic demand - in the Euro Area, growth remained modest following two years of contraction.

While in the US the Fed terminated its quantitative easing programme in October, in the Euro Area the dominant trend was the addition of fresh monetary stimuli by the main central banks motivated by very low inflation levels and the need to incentivize lending in an attempt to fuel higher economic growth levels. This policy generated lower interest rates and the use of non-conventional tools such as a quantitative easing programme.

Emerging economies also had interventions geared towards greater monetary policy expansion, although this was not an across-the-board occurrence owing to the bloc's heterogeneity. The central banks, as a whole, once again played a decisive role in terms of investor confidence.

There was a sharp reduction in sovereign debt yields in Europe in 2014, originated essentially by lower inflation in the Euro Area and the ECB's intervention. In particular, the European periphery also followed the downwards trend in yields in 2014 as well as the narrowing of spreads to German benchmarks. There were also a reduction of imbalances, both public and external accounts and a strengthening of European governance mechanisms, particularly in Spain, Italy, Ireland and Portugal. The understanding on banking union reached in the European Parliament and Council was also of great significance. Greece, where yields were up last year, was an exception.

After rising in 2013 for the first time in 4 years, yields of the longer maturities in the US fell once again in 2014, owing to expectations of lower inflation associated with the sharp fall in oil prices in the second half and the Fed's patient posture in the transition to a cycle of increasing reference rates. In the case of the shorter maturities, the US saw an upwards trend related with the Fed's ending of its quantitative easing programme in October and consequent adoption of a less accommodative monetary policy.

The favorable evolution of the risk premium on peripheral issuers was consistent across the year. These issuers benefited from a return to economic growth and European Central Bank support, owing to the introduction of new monetary stimuli and commitment to maintaining an expansionary monetary policy.

Portugal was the country with the largest reduction in its 10 year rate which was down 344 bps to 2.69 per cent.. Italy and Spain also obtained notable reductions of 224 bps to 1.89 per cent. and 254 bps to 1.61 per cent., respectively. In all cases these were the lowest levels ever. Portugal witnessed its third consecutive year of narrowing risk premium on its sovereign debt of -205.5 bps against German debt. Over the 2 year maturity the fall in the Portuguese yield was 290 bps with a spread compression of -259.5 bps (source: CGD's Annual Report for 2014).

The primary market remained dynamic during the year with investors' demands for returns being one of the main supporting factors, fueling significant amounts of debt issues at progressively lower prices. In addition, the private debt market also performed well, outperforming expectations, posting a higher volume of issuances, both by financial and non-financial entities. In particular, the non-financial segment saw a 33.3 per cent. annual increase of issuances over the preceding year (with year-on-year growth of 4.1 per cent. in 2013).

Based on IMF estimates published in January of 2015, in 2014 the world economy grew 3.3 per cent., a rate similar to the preceding year of around 3 per cent., with a slight acceleration of 0.5 p.p. in the activity of the developed countries growth rates of 1.3 per cent. in 2013 and 1.8 per cent. in 2014. Activity in the emerging and developing bloc cooled from 4.7 per cent. in 2013 to 4.4 per cent. in 2014.

Global economic activity has been benefiting from the strengthening of liquidity provided by the main central banks, the less restrictive contents of fiscal policy, particularly in the developed countries and the improved financial environment. The main central banks continued to be the key drivers behind the improvement of confidence in an economic upturn.

The main central banks were, once again, key drivers behind the improvement of confidence in an economic upturn.

During 2014, due to the evolution of the economic environment, the ECB decided to reduce reference rates in June and September, with its deposit rate moving into negative territory for the first time in history. It also announced new targeted long term refinancing operations (TLTROs) to incentivize the availability of bank credit to non-financial corporations and households as well as two secondary market debt purchase programmes, namely an ABS and covered bonds programme.

The understanding reached in the European Parliament and Council on the single resolution mechanism and completion of the asset quality review and stress test process in the sphere of the ECB's competencies relating to the single supervisory mechanism were additional factors in the continuous improvement of sentiment in the Euro Area.

Notwithstanding the more favorable environment for economic activity, there were still several occasional constraining factors on the evolution of growth, giving rise to periods of uncertainty.

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 very 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.

It is also important to note that the recessive operating conditions and the decrease in households’ disposable income are expected to have an adverse impact on CGD’s ability to attract savings. Notwithstanding, until the present time, the very good performance of deposits has contributed in a positive way to reinforce the funding base of CGD.

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.

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.

New ECB provisions relating to the discretionary acceptance of bank debt guaranteed by National Central Banks represent the risk of reduction of the pool of eligible assets with impact on the Issuer's ability to have access to Eurosystem credit operations

The ECB issued Decision ECB/2012/4, of 21 March 2012 which changes the collateral eligibility acceptance criteria. Pursuant to this decision "(…) *National Central Banks shall not be obliged to accept as collateral for Eurosystem credit operations eligible bank bonds guaranteed by a Member State under a European Union/International Monetary Fund programme, or by a Member State whose credit assessment does not comply with the Eurosystem's benchmark for establishing its minimum requirement for high credit standards applicable for issuers and guarantors of marketable assets* (…)". This decision represents an uncertainty regarding liquidity buffers in view of the discretionary nature of decision-making by each national central bank, has indirect impacts on the acceptance of this type of debt by third parties, affecting ability and speed of return to market funding and may lead to a greater isolation of the financial systems of countries under adjustment programmes and its banks (including the Issuer).

One year after, the ECB issued Guideline ECB/2013/4, of 20 March 2013, on additional temporary measures relating to Eurosystem refinancing operations and eligibility of collateral and amending Guideline ECB/2007/9, which includes the content of Decisions ECB/2011/4 of 31 March 2011 on temporary measures relating to the eligibility of marketable debt instruments issued or guaranteed by the Irish Government, ECB/2011/10 of 7 July 2011 on temporary measures relating to the eligibility of marketable debt instruments issued or guaranteed by the Portuguese Government and ECB/2012/32 of 19 December 2012 on temporary measures relating to the eligibility of marketable debt instruments issued or fully guaranteed by the Hellenic Republic. Pursuant to its Article 5(1): "*an NCB shall not be obliged to accept as collateral for Eurosystem credit operations eligible uncovered bank bonds which: (a) do not fulfil the Eurosystem's requirement of high credit standards; (b) are issued by the counterparty using them or by entities closely linked to the counterparty; and (c) are fully guaranteed by a Member State: (i) whose credit assessment does not comply with the Eurosystem's requirement of high credit standards for issuers and guarantors of marketable assets as laid down in Section 6.3.1 and 6.3.2 of Annex I to Guideline ECB/2011/14; and (ii) which is compliant with a European Union/International Monetary Fund programme, as assessed by the Governing Council*".

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;
- understand thoroughly the terms of the relevant Covered Bonds and be familiar with the behaviour of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

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 amended by the applicable Final Terms.

Benefit of special creditor privilege (*privilégio creditório*) available not only to the Noteholders 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.

EU Savings Directive compliance

EC Council Directive 2003/48/EC on the taxation of savings income (the "EU Savings Directive"), requires

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, except that Austria will instead impose a withholding system for a transitional period (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld) unless during such period they elect otherwise.

If a payment to an individual were to be made or collected through an EU 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, by or through whom a payment in respect of the Covered Bond is made or received, 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 will be required at all times to maintain a Paying Agent with a specified office in an EU Member State that will not be obliged to withhold or deduct tax pursuant to the EU Savings Directive or any European Union Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive.

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.

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 for a common FTT in Austria, Belgium, Estonia, France, Germany, Greece, Italy, Portugal, Spain, Slovakia and Slovenia (the "Participating Member States").

The Commission's Proposal 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.

A joint statement issued in May 2014 by the participating EU Member States (other than Slovenia) indicated an intention to implement the FTT progressively, such that it would initially apply to transactions involving shares and certain derivatives, with its initial implementation occurring by 1 January 2016. However, full details are not available as of the date of this Base Prospectus. 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 EU Member States. 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.

US Foreign Account Tax Compliance Withholding

Sections 1471 through 1474 of the US Internal Revenue Code of 1986 ("**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 Notes 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 assurance can be given as to the impact of any possible judicial decision or change to Portuguese laws, including the Covered Bonds Law, or administrative practice after the date of issue of the relevant Covered Bonds.

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 generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Covered Bonds.

Interest rate risks

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

Credit ratings may not reflect all risks

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

European regulated institutions are in general restricted from using credit ratings for regulatory purposes under Regulation (EC) No. 1060/2009 (as amended by Regulation (EU) No. 513/2011 of the European Parliament and the Council and by Regulation (EU) 462/2013 of the European Parliament and the Council, the "CRA Regulation"), unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). Certain information with respect to the credit rating agencies and ratings referred to in this 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 legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Covered Bonds are legal investments for it, (2) Covered Bonds can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Covered Bonds. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Covered Bonds under any applicable risk-based capital or similar rules.

Other Risks

The past performance of Covered Bonds or other mortgage covered securities issued by the Issuer may not be a reliable guide to future performance of the Covered Bonds. The Covered Bonds may fall as well as rise in value. Income or gains from Covered Bonds may fluctuate in accordance with market conditions and taxation arrangements.

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

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

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 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 variable value of security over residential property

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

Amortisation of Mortgage Credits

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

No Due Diligence

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

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 may be registered Covered Bonds (*nominativas*) or bearer Covered Bonds (ao portador).

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) Portuguese Tax Rules

Pursuant to Decree-law no. 193/2005, of 7 November 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 documentation requirements are duly complied with.

It should also be noted that, if interest and other types of investment income derived from the Covered Bonds is 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. Failure to comply with this disclosure obligation will result in the application of the said

Portuguese withholding tax at a rate of 35 per cent..

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 by Ministerial Order no. 292/2011, of 8 November 2011) is subject to withholding tax at 35 per cent., which is the final tax on that income (except where Decree-law no. 193/2005, of 7 November 2005 applies 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 certificate or declaration referred to above. 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.

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, 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 and by Regulation (EU) No. 462/2013 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. Covered Bonds may be issued under the Programme up to 23 November 2021.
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 €5,900,000,000. 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 Deloitte & Associados – SROC, S.A., member of the Portuguese Institute of Statutory Auditors (*Ordem dos Revisores Oficiais de Contas*), registered with the CMVM with registration number 231, with registered office at Av. Engenheiro Duarte Pacheco, no. 7, 1070-100, 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, Daiwa Capital Markets Europe Limited, Deutsche Bank Aktiengesellschaft, DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main, HSBC France, Natixis, J.P. Morgan Securities plc, Merrill Lynch International, Morgan Stanley & Co. International plc, 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:	Deloitte & Associados – SROC, S.A., member of the Portuguese Institute of Statutory Auditors (*Ordem dos Revisores Oficiais de Contas*), registered with the CMVM with registration number 231, with registered office at Av. Engenheiro Duarte Pacheco, no. 7, 1070-100, Lisboa. *See Cover Pool Monitor*.
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 *Risk Factors* above and include, *inter alia*, 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 *Risk Factors* above and include, *inter alia*, 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 *Subscription and Sale and Secondary Market Arrangements*.
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 *Subscription and Sale and Secondary Market Arrangements*.
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:	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.

	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.
Listing and Admission to Trading:	This document dated 11 December 2015 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**"). Covered Bonds may, after notification by the CMVM to the supervision authority of the relevant Member State(s) of the European Union ("**EU**") in accordance with Article 18 of the Prospectus Directive, be admitted to trading on the regulated market(s) of and/or be admitted to listing on stock exchange(s) of any other member states of the EEA. Covered Bonds which are neither listed nor admitted to trading on any market may also be issued under the Programme. The relevant Final Terms will state whether or not the relevant Covered Bonds are to be listed and/or admitted to trading and, if so, on which stock exchange(s) and/or regulated market(s).
Selling Restrictions:	There are restrictions on the offer, sale and transfer of the Covered Bonds in the United States, Japan, the EEA (including Italy, Portugal and the United Kingdom) as set out in *Subscription and Sale and Secondary Market Arrangements* and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Covered Bonds in a particular jurisdiction, which will be set out in the relevant Final Terms.
United States Selling Restriction:	The Covered Bonds have not been and will not be registered under the Securities Act and may not be offered or sold in the United States or to, or for the 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 *Subscription and Sale and Secondary Market Arrangements*.
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 *pari passu* among themselves. The Covered Bonds will be mortgage covered bonds issued by the Issuer in accordance with the Covered Bonds Law and, accordingly, will be secured on cover assets that comprise a cover assets pool maintained by the Issuer in accordance with the terms of the Covered Bonds Law, and will rank *pari passu* with all other obligations of the Issuer under mortgage covered bonds issued or to be issued by the Issuer pursuant to the Covered Bonds Law. See *Characteristics of the Cover Pool*.
Terms and Conditions of the Covered Bonds:	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 *Terms and Conditions of the Covered Bonds*.
Clearing Systems:	Interbolsa, and Euroclear, and/or Clearstream, Luxembourg, (together the "**Clearing Systems**" and, each, a "**Clearing System**"). See *Form of the Covered Bonds and Interbolsa*.
Form of the Covered Bonds:	The Covered Bonds are held through Interbolsa and will be in book-entry form, either in bearer (*ao portador*) or in registered form (*nominativas*), 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 *Form of the Covered Bonds and Interbolsa*.
Transfer of Covered Bonds:	The Covered Bonds may be transferred in accordance with the provisions of the relevant Clearing System or other central securities depositary with which the relevant Covered Bond has been deposited. The transferability of the Covered Bonds is not restricted.
Maturities:	The Covered Bonds will have such maturities as may be agreed between the Issuer and the relevant Dealer(s) and as set out in the applicable Final Terms, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body), the Covered Bonds Law or any laws or regulations applicable to the Issuer or the relevant Specified Currency. Currently the Covered Bonds Law establishes that Covered Bonds may not be issued with a maturity term shorter than 2 years or in excess of 50 years. See also *Extended Maturity Date*.
Issue Price:	The Covered Bonds may be issued on a fully-paid basis and at an issue price which is at par or at a discount to, or premium over, par, as specified in the applicable Final Terms.
Events of Default:	Issuer Insolvency. See *Terms and Conditions of the Covered Bonds*.
Negative Pledge:	None.

Cross Default:	None.
Guarantor:	None.
Fixed Rate Covered Bonds:	Fixed interest will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer(s) and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer(s) (as set out in the applicable Final Terms).
Floating Rate Covered Bonds:	Floating Rate Covered Bonds will bear interest determined separately for each Series as follows: • on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association Inc. ("**ISDA**") and as amended and updated as at the Issue Date of the first Tranche of Covered Bonds of the relevant Series); or • on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or • 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 the Statutory Auditor of the Issuer (see *Board of Directors, General Meeting, 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 231, with registered office at Av. Engenheiro Duarte Pacheco, 7, 1070-100 Lisbon (the external auditor of the Issuer, hereinafter referred to as the "**Auditor**"), has audited the financial statements of the Issuer for the financial years ended 31 December 2013 and 31 December 2014 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*). The Auditor hereby declares, to the best of its knowledge (having taken all reasonable care to ensure that such is the case), that such Auditors Reports 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.

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

In this Base Prospectus, unless otherwise specified or the context otherwise requires, references to "**€**", "**EUR**" or "**euro**" are to the lawful currency of the Member States of the European Union that adopt the single currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No. 974/98 of 3 May 1998 on the introduction of the euro, as amended, to "**U.S.$**", "**USD**" or "**U.S. dollars**" are to United States dollars, the lawful currency of the Unites 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 audited consolidated financial statements of the Issuer in respect of the financial years ended 31 December 2013 and 31 December 2014, in each case together with the auditors' reports prepared in connection therewith.;

(b) the unaudited consolidated financial statements of the Issuer for the first semester of 2015;

(c) the unaudited financial results of the Issuer for the first nine months of 2015;

(d) the English version of the by-laws of the Issuer;

(e) CGD's announcement on the EBA Transparency Execrcise 2015, disclosed at CMVM's website on 25 November 2015; and

(f) the Terms and Conditions of the Covered Bonds contained in the previous Prospectus dated 24 October 2014 and the supplement thereto dated 15 January 2015.

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.

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

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

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

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

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

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

(a) the identity of the Paying Agent responsible for the relevant payment; and

(b) a statement of acceptance of such responsibility by the Paying Agent.

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

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

Transfer of Covered Bonds

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 **[●]**

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 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 11 December 2015, [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 [24 October 2014 and the supplement thereto dated 15 January 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 [24 October 2014] as supplemented [on 15 January 2015] which is incorporated by reference in the Base Prospectus dated 11 December 2015 [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 [24 October 2014] 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:	[●]
		(*If fungible with an existing Series, details of that Series, including the date on which the Covered Bonds become fungible.*)]
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 [*insert date*] (*in the case of fungible issues only, if applicable*)]
	(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 Notes] [●] per cent. Fixed Rate] [Floating Rate Notes] [[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:	[Not Applicable] / [[●] per cent. Fixed Rate] [Euribor / Libor] +/− Margin Margin = [●] per cent.] (further particulars specified below) [Insert "Not Applicable" only if Extended Maturity Date does not apply]
10	Redemption/Payment Basis:	[Redemption at par] [Instalment]

11	Change of Interest or Redemption/Payment Basis:	[*Specify details of any provision for convertibility of Covered Bonds into another interest or redemption/payment basis*]
12	Put/Call Options:	[Investor Put] [Issuer Call] [(further particulars specified below)]
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/*specify other*/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] [[●] per [●] in nominal amount] [*State "Not Applicable" unless Extended Maturity Date applies and the Covered Bonds are Fixed Rate Covered Bonds after the Maturity Date*.]
	(iv)Broken Amount:	

	• To Maturity Date:	[Insert *particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount [(s)] and the Interest Payment Date(s) to which they relate*]
	• From Maturity Date up to Extended Maturity Date:	[Not *Applicable*] [*Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount [(s)] and the Interest Payment Date(s) to which they relate*] [*State "Not Applicable" unless Extended Maturity Date applies and the Covered Bonds are Fixed Rate Covered Bonds after the Maturity Date*.]
	(v)Day Count Fraction:	
	•To Maturity Date:	[30/360 or Actual/Actual (ICMA)]
	•From Maturity Date up to Extended Maturity Date:	[Not *Applicable*] [30/360 or Actual/Actual (ICMA)] [*State "Not Applicable" unless Extended Maturity Date applies and the Covered Bonds are Fixed Rate Covered Bonds after the Maturity Date*.]
	(vi)Determination Date(s):	
	•To Maturity Date:	[*Insert day(s) and month(s) on which interest is normally paid (if more than one, then insert such dates in the alternative)*] in each year]
	• From Maturity Date up to Extended Maturity Date:	[Not *Applicable*] [*Insert day(s) and month(s) on which interest is normally paid (if more than one, then insert such dates in the alternative)*] in each year [*State "Not Applicable" unless Extended Maturity Date applies and the Covered Bonds are Fixed Rate Covered Bonds after the Maturity Date*.]
	(vii) Other terms relating to the method of calculating interest for Fixed Rate Covered Bonds:	[None/*give details*]
17	Floating Rate Covered Bonds Provisions	
	•To Maturity Date:	[*Applicable*/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph.*)

•From Maturity Date up to Extended Maturity Date:	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph.*) [*State "Not Applicable" unless Extended Maturity Date applies and the Covered Bonds are Floating Rate Covered Bonds after the Maturity Date.*]
(i) Specified Period(s)/Specified Interest Payment Dates:	
• To Maturity Date:	[●]
• From Maturity Date up to Extended Maturity Date:	[Not Applicable]/[●] [*State "Not Applicable" unless Extended Maturity Date applies and the Covered Bonds are Floating Rate Covered Bonds after the Maturity Date.*]
(ii) Business Day Convention:	
• To Maturity Date:	[Floating Rate Convention/ Following Business Day Convention/ Modified Following Business Day Convention/Preceding Business Day Convention]
• From Maturity Date up to Extended Maturity Date:	[Not Applicable]/[Floating Rate Convention/ Following Business Day Convention/ Modified Following Business Day Convention/Preceding Business Day Convention] [*State "Not Applicable" unless Extended Maturity Date applies and the Covered Bonds are Floating Rate Covered Bonds after the Maturity Date.*]
(iii) Additional Business Centre(s):	
• To Maturity Date:	[●]
• From Maturity Date up to Extended Maturity Date:	[Not Applicable]/ [●] [*State "Not Applicable" unless Extended Maturity Date applies and the Covered Bonds are Floating Rate Covered Bonds after the Maturity Date.*]
(iv) Manner in which the Rate of Interest and Interest Amount is to be determined:	
• To Maturity Date:	[Screen Rate Determination/ISDA Determination]

• From Maturity Date up to Extended Maturity Date:	[Not Applicable]/ [Screen Rate Determination/ISDA Determination] [*State "Not Applicable" unless Extended Maturity Date applies and the Covered Bonds are Floating Rate Covered Bonds after the Maturity Date.*]
(v) Party responsible for calculating the Rate of Interest and Interest Amount:	
• To Maturity Date:	[Caixa Geral de Depósitos, S.A. / [●]] [*Elect and fill-in the second alternative only if a Calculation Agent has been appointed other than the Agent]*
• From Maturity Date up to Extended Maturity Date:	[Not Applicable]/ Caixa Geral de Depósitos, S.A./ [●] [*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*]
(vi) Screen Rate Determination:	
A.To Maturity Date:	
• Reference Rate:	[●]
• Interest Determination Date:	[●] (*Second London business day prior to start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day of on which the TARGET System is open prior to the start of each Interest Period if Euribor or euro LIBOR*)
• Relevant Screen Page:	[●] (*in the case of Euribor, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions accordingly*)
B. From Maturity Date up to Extended Maturity Date:	[Not Applicable] [*State "Not Applicable" unless Extended Maturity Date applies and the Covered Bonds are Floating Rate Covered Bonds after the Maturity Date.*]
• Reference Rate:	[●]

• Interest Determination Date:	[●] (*Second London business day prior to start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day of on which the TARGET System is open prior to the start of each Interest Period if Euribor or euro LIBOR*)
• Relevant Screen Page:	[●] (*in the case of Euribor, if not 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	[●]
	• 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.*]
18	Zero Coupon Covered Bonds Provisions	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(i)Accrual Yield:	[●] per cent. per annum
	(ii)Reference Price:	[●]

	(iii)Any other formula/basis of determining amount payable:	[●]
	(iv)Day Count Fraction in relation to late payment:	[Condition 5.5 applies] (*consider applicable day count fraction if not U.S. dollar denominated*)

PROVISIONS RELATING TO REDEMPTION

19	**Call Option**	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(i)Optional Redemption Date(s):	[●]
	(ii)Optional Redemption Amount(s) of each Covered Bond and method, if any, of calculation of such amount(s):	[●] per Covered Bond of [●] Specified Denomination
	(iii)If redeemable in part:	
	(a)Minimum Redemption Amount:	[●]
	(b)Maximum Redemption Amount:	[●]
	(iv)Notice period (if other than as set out in the Terms and Conditions):	[●] (*NB—If setting notice periods which are different to those provided in the Terms and Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent*)
20	Put Option	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(i)Optional Redemption Date(s):	[●]
	(ii)Optional Redemption Amount(s) of each Covered Bond and method, if any, of calculation of such amount(s):	[●] per Covered Bond of [●] Specified Denomination

	(iii)Notice period:	[●] (*NB—If setting notice periods which are different to those provided in the Terms and Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent*)
21	Final Redemption Amount of each Covered Bond:	[[●] per Covered Bond of [●] Specified Denomination] (*NB—Final Redemption Amount must be equal to or higher than the Specified Denomination)*
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 (*Redemption and Purchase*))]	[Applicable/Not Applicable]

GENERAL PROVISIONS APPLICABLE TO THE COVERED BONDS

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

27	Other final terms:	[Not Applicable/*give details*] (*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*.)

DISTRIBUTION

28	(i) If syndicated, names of Dealers:	[Not Applicable/*give names and date of relevant agreement*]
	(ii) Stabilising Manager (if any):	[Not Applicable/*if applicable, please include names, period and other relevant information*]
	(iii) Commission Payable / Selling Concession:	[●]
29	If non-syndicated, name of relevant Dealer:	[Not Applicable/*give name and date of relevant agreement*]
30	Additional selling restrictions:	[Not Applicable/*give details*]

LISTING AND ADMISSION TO TRADING APPLICATION

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

RESPONSIBILITY

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

Signed on behalf of the Issuer:

By:

Duly authorised

PART B – OTHER INFORMATION

1. Listing

(i) Listing 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: [●]] [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. **Notification to other Member States**

[Not Applicable.] or [The CMVM [has been requested to provide/has provided —*include first alternative for an issue which is contemporaneous with the establishment or supplement of the Programme and the second alternative for subsequent issues*] the [*include names of competent authorities of host Member States*] with a certificate of approval attesting that the Base Prospectus has been drawn up in accordance with the Prospectus Directive.]

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

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

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

5. **Reasons for the Offer, Estimated Net Proceeds (Issue Price minus the Estimated Total Expenses) and 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):	[●]

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 each of the Paying Agents and the Registrar (such Paying Agents and the Registrar being together referred to as the "**Agents**"). Copies of the applicable Final Terms are obtainable at the CMVM's website - www.cmvm.pt – and during normal business hours at the specified office of each of the Agents save that, if these Covered Bonds are unlisted, the applicable Final Terms will only be obtainable at the specified office of each of the Agents by a holder holding one or more unlisted Covered Bonds, such holder must produce evidence satisfactory to the Issuer and the relevant Agent as to its holding of such Covered Bonds and identity. The Covered Bonds holders 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 bearer (*ao portador*) or in registered (*nominativas*) form as specified in the applicable Final Terms and in the Specified Currency and the Specified Denomination(s). Covered Bonds of one Specified Denomination may not be exchanged for Covered Bonds of another Specified Denomination.

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 TARGET System is open.

(B) Rate of Interest

Floating Rate Covered Bonds

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

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

4.3 Accrual of interest

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

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

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

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

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

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

5. PAYMENTS

5.1 Method of payment

Subject as provided below:

(i) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency (which, in the case of a payment in Japanese yen to a non-resident of Japan, shall be a non-resident account) maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney or Auckland, respectively);

(ii) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque; and

(iii) payments in US dollars will be made by a transfer to a US dollar account maintained by the payee with a bank outside the United States (which expression as used in this Condition 5 (*Payments*), means the United States of America including the State, and District of Columbia, its territories, its possessions and other areas subject to its jurisdiction or by cheque drawn on a US bank. In no event will payment be made by a cheque mailed to an address in the United States. All payments of interest will be made to accounts outside the United States except as may be permitted by United States tax law in effect at the time of such payment without detriment to the Issuer.

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

5.3 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 TARGET 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 TARGET 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 x (1 + AY) y

where:

RP means the Reference Price; and

AY means the Accrual Yield expressed as a decimal; and

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

(i) the date on which all amounts due in respect of such Zero Coupon Covered Bond have been paid; and

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

6.8 Extension of Maturity up to Extended Maturity Date

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

(B) If an Extended Maturity Date is specified in the applicable Final Terms as applying to a Series of Covered Bonds and the Issuer fails to redeem all of those Covered Bonds in full on the Maturity Date or within two Business Days thereafter, the maturity of the Covered Bonds and the date on which such Covered Bonds will be due and repayable for the purposes of these Terms and Conditions will be automatically extended up to but no later than the Extended Maturity Date, subject as otherwise provided for in the applicable Final Terms. In that event, the Issuer may redeem all or any part of the principal amount outstanding of the Covered Bonds on an Interest Payment Date falling in any month after the Maturity Date up to and including the Extended Maturity Date or as otherwise provided for in the applicable

Final Terms. The Issuer shall give to the holders of Covered Bonds (in accordance with Condition 11(*Notices*)), the Agent and the other Paying Agents, notice of its intention to redeem all or any of the principal amount outstanding of the Covered Bonds in full at least five Business Days prior to the relevant Interest Payment Date or, as applicable, the Extended Maturity Date. Any failure by the Issuer to notify such persons shall not affect the validity or effectiveness of any redemption by the Issuer on the relevant Interest Payment Date or as applicable, the Extended Maturity Date or give rise to rights in any such person.

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

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

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

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

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

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

7. TAXATION

7.1. Payments free of taxes

All payments of principal and interest in respect of the Covered Bonds 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 or the Registrar, as the case may be, on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the holders of Covered Bonds in accordance with Condition 11 (*Notices*).

9. EVENTS OF DEFAULT AND ENFORCEMENT

9.1 Insolvency Event

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

For the purposes of these Terms and Conditions: "**Insolvency Event**" means the winding-up and dissolution of the Issuer under any applicable laws and regulations (including under Decree-Law no. 199/2006 of 25 October, 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, PAYING AGENTS AND REGISTRAR

(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 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;

(iv) the Issuer will ensure that it maintains a Paying Agent in a Member State of the EU that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other Directive or any law implementing or complying with, or introduced in order to conform to such Directive.

11. NOTICES

Notices to the holders of Covered Bonds shall be valid, so long as the Covered Bonds are listed on Euronext Lisbon and the rules of Euronext so require, if published on the Euronext bulletin and/or on the CMVM's information system. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made, as provided above.

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

12. MEETINGS OF HOLDERS OF COVERED BONDS

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

(B) The quorum at any meeting convened to vote on: (i) a Resolution not regarding a Reserved Matter will be any person or persons holding, or representing 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, 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. 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, at least 50 per cent. of the Principal Amount Outstanding of the Covered Bonds then outstanding or, at any adjourned meeting 2/3 of the votes cast at the relevant meeting.

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

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

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

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

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

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

13. INDEMNIFICATION OF THE COMMON REPRESENTATIVE CONTRACTING WITH THE ISSUER

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

(B) The Common Representative shall not be required to expend its own funds or otherwise incur or risk incurring any liability in the performance of its duties or in the exercise of any of its rights, powers, authorities or discretions if it has grounds for believing the repayment of such funds is not reasonably assured to it under the Covered Bonds Law or if it has not been provided with adequate indemnity against or security for such risk or liability. Notwithstanding any Programme Resolution or any other Resolution approved at any meeting or any written resolution of any holders of Covered Bonds, the Common Representative may (i) refrain from taking any action until it has been provided with sufficient funds or adequate indemnity against or security for any liability it may incur as a result of any such actions and (ii) refrain from doing anything which might in its opinion be contrary to any law of any jurisdiction or which might otherwise render it liable to any person and (iii) do anything which is in its opinion necessary to comply with any such law, and in no circumstances shall be liable to the holders of Covered Bonds for any consequences of such actions or inaction. The Common Representative Appointment Agreement contains further provisions for the indemnification of the Common Representative and for its relief from responsibility.

14. REPLACEMENT OF COVERED BONDS

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 or deposited (as the case may be) upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require.

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:

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

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

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

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

"**Bank of Portugal 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 11 December 2015, as supplemented, prepared in connection with the Programme.

"**Bearer Covered Bonds**" means any Covered Bonds in bearer (*ao portador*) form issued.

"**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 Deloitte & Associados – SROC, S.A., member of the Portuguese Institute of Statutory Auditors (*Ordem dos Revisores Oficiais de Contas*), registered with the CMVM with registration number 231, with registered office at Av. Engenheiro Duarte Pacheco, no. 7, 1070-100, 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 agents named in the Agency and Payments Procedures together with any successor or additional paying agents appointed from time to time in connection with the Covered Bonds under the Agency and Payments Procedures.

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

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

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

(a) the amount determined as the commercial value or the market value (as applicable) of such Property in accordance with the most recent independent valuation of such Property, at the time or after the relevant Mortgage Credit was originated, in accordance with 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.

"**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 or the Registrar, as the case may be, on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the holders of Covered Bonds in accordance with Condition 11 (*Notices*).

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

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

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

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

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

"**TARGET System**" means the Trans-European Automated Real-time Gross Settlement Express Transfer Payment System which utilises a single shared platform and which was launched on 19 November 2007 (TARGET 2).

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

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

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

"**Terms and Conditions**" means in relation to the Covered Bonds, the terms and conditions 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/Investor-Information/Announcements/Investor-Reports/Pages/Investor-Reports.aspx

The following information could be found on the September 2015 Investor Report:

2. Covered Bonds Issues	Issue Date	Coupon	Maturity Date	Soft Bullet Date[1]	Remaining Term	Nominal Amount
Covered Bonds Outstanding					**4,17**	**7.001.450.000**
Syndicated Covered Bonds Issues						
Series 1 (ISIN PTCGF11E0000)	2006-12-06	Fixed Rate	2016-12-06	2017-12-06	1,19	1.406.450.000
Series 15 (ISIN PTCGHUOE0015)	2013-01-18	Fixed Rate	2018-01-18	2019-01-18	2,30	750.000.000
Series 16 (ISIN PTCGHAOE0019)	2014-01-15	Fixed Rate	2019-01-15	2020-01-15	3,30	750.000.000
Series 10 (ISIN PTCG2YOE0001)	2010-01-27	Fixed Rate	2020-01-27	2021-01-27	4,33	1.000.000.000
Series 17 (ISIN PTCGH1OE0014)	2015-01-27	Fixed Rate	2022-01-27	2023-01-27	6,33	1.000.000.000
Private Placements Covered Bonds Issues						
Series 7 (ISIN PTCGHL1E0000)	2008-03-31	FRN	2016-03-15	2016-03-15	0,46	150.000.000
Series 9 (ISIN PTCG2NOE0004)	2009-10-08	FRN	2016-09-15	2017-09-15	0,96	175.000.000
Series 4 (ISIN PTCGFD1E0019)	2007-06-28	FRN	2022-06-28	2023-06-28	6,75	250.000.000
Series 14 (ISIN PTCGHOOE0013)	2012-07-31	FRN	2022-07-31	2023-07-31	6,84	1.500.000.000
Series 8 (ISIN PTCGFH1E0010)	2008-10-01	Fixed Rate	2038-10-01	2039-10-01	23,02	20.000.000
CRD Compliant (Yes/No)						**Yes**

3. Asset Cover Test	Remaining Term	Nominal Amount
Mortgage Credit Pool	**23,46**	**10.760.968.567**
Other Assets[2] (Deposits and Securities at market value)	**6,00**	**189.905.521**
Cash and Deposits	0,00	0,00
RMBS	0,00	0,00
Other securities[a]	6,00	189.905.521
Total Cover Pool	**23,16**	**10.950.874.087**
% of Other Assets in Cover Pool		1,73%
Overcollateralization[3] with cash collateral (Current OC)		**56,41%**
Required Overcollateralization (Moody's)		**9,50%**
Committed Overcollateralization (Fitch) - Minimum OC level to keep the current Mortgage Covered Bond Programme rating		**38,50%**
Required Overcollateralization (DBRS) - Minimum OC level to keep the current Mortgage Covered Bond Programme rating		**38,50%**
Legal Minimum Overcollateralization		**5,26%**

[a] Includes the Liquidity Cushion amount (see section 8)

4. Other Triggers	
Net Present Value of Assets (incl. derivatives)[4]	9.642.055.662
Net present value of liabilities (incl. derivatives)[4]	7.957.347.040
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

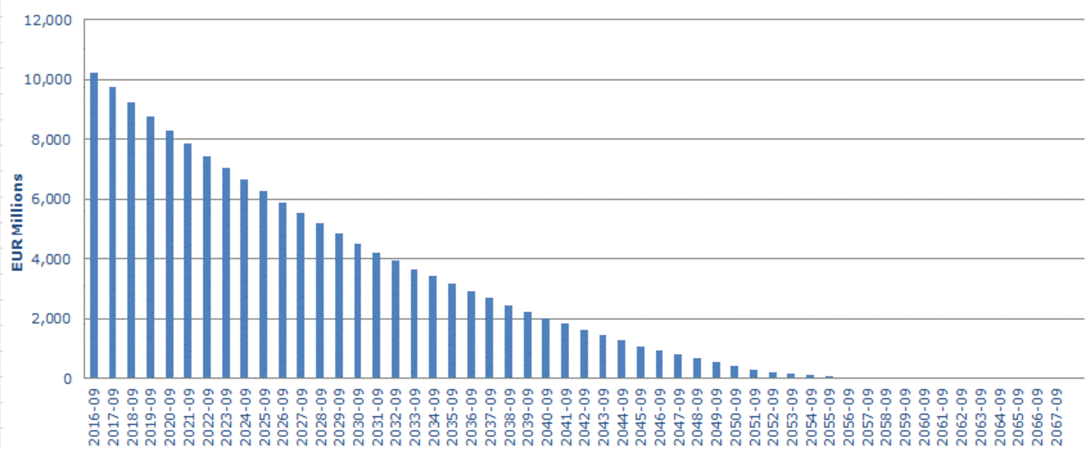
5. Currency Exposure	
Cover Pool Includes	
Assets in a currency different than Euro (yes/no)	No
Liabilities in a currency different than Euro (yes/no)	No
Cross currency swaps in place (yes/no)	No
Currency Exposure Detail	**n/a**

6. Mortgage Credit Pool	
Main Characteristics	
Number of Loans	246.272
Aggregate Original Principal Balance (EUR)	16.621.788.404,64
Aggregate Current Principal Balance (EUR)	10.760.968.566,75
Average Original Principal Balance per loan (EUR)	67.493,62
Average Current Principal Balance per loan (EUR)	43.695,46
Current principal balance of the 5 largest borrowers (EUR)	4.093.242,48
Weight of the 5 largest borrowers (current principal balance) %	0,04
Current principal balance of the 10 largest borrowers (EUR)	7.457.212,60
Weight of the 10 largest borrowers (current principal balance) %	0,07
Weighted Average Seasoning (months)	116,21
Weighted Average Remaining Term (months)	281,49
Weighted Average Current Unindexed LTV[5] (%)	51,77
Weighted Average Current Indexed LTV[5] (%)	54,67
Weighted Average Interest Rate (%)	1,09
Weighted Average Spread (%)	1,03
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	246.272	100,00%	10.760.968.567	100,00%
Insured Property[6]	**Number of Loans**	**% Total Loans**	**Amount of Loans**	**% Total Amount**
Yes	246.272	100,00%	10.760.968.567	100,00%
No	0	0,00%	0	0,00%
Interest Rate Type	**Number of Loans**	**% Total Loans**	**Amount of Loans**	**% Total Amount**
Fixed	98	0,04%	4.306.618	0,04%
Floating	246.174	99,96%	10.760.968.567	99,96%
Repayment Type	**Number of Loans**	**% Total Loans**	**Amount of Loans**	**% Total Amount**
Annuity / French	246.272	100,00%	10.760.968.567	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	27	0,01%	1.517.276	0,01%
1 to 2 years	887	0,36%	51.689.791	0,48%
2 to 3 years	1.560	0,63%	85.967.242	0,80%
3 to 4 years	2.296	0,93%	142.551.020	1,32%
4 to 5 years	8.681	3,52%	642.549.846	5,97%
5 to 6 years	13.551	5,50%	976.533.551	9,07%
6 to 7 years	17.427	7,08%	1.080.827.957	10,04%
7 to 8 years	20.925	8,50%	1.125.388.378	10,46%
8 to 9 years	20.350	8,26%	1.088.650.660	10,12%
9 to 10 years	17.699	7,19%	894.452.782	8,31%
10 to 11 years	21.808	8,86%	1.068.519.629	9,93%
11 to 12 years	19.528	7,93%	845.333.540	7,86%
More than 12 years	101.533	41,23%	2.756.986.896	25,62%
Remaining Term	**Number of Loans**	**% Total Loans**	**Amount of Loans**	**% Total Amount**
Up to 5 years	24.926	10,12%	177.855.735	1,65%
5 to 8 years	23.365	9,49%	424.459.777	3,94%
8 to 10 years	19.885	8,07%	496.835.706	4,62%
10 to 12 years	14.200	5,77%	455.537.097	4,23%
12 to 14 years	15.254	6,19%	542.074.746	5,04%
14 to 16 years	18.580	7,54%	735.377.026	6,83%
16 to 18 years	20.675	8,40%	892.979.194	8,30%
18 to 20 years	13.679	5,55%	681.011.169	6,33%
20 to 22 years	9.874	4,01%	533.132.067	4,95%
22 to 24 years	10.725	4,35%	610.714.490	5,68%
24 to 26 years	10.122	4,11%	607.422.891	5,64%
26 to 28 years	10.629	4,32%	628.865.379	5,84%
28 to 30 years	12.920	5,25%	806.797.504	7,50%
30 to 40 years	36.914	14,99%	2.793.798.703	25,96%
More than 40 years	4.524	1,95%	374.107.083	3,48%
Current Unindexed LTV	**Number of Loans**	**% Total Loans**	**Amount of Loans**	**% Total Amount**
Up to 40%	117.506	47,71%	2.754.252.154	25,59%
40 to 50%	28.422	11,54%	1.359.030.765	12,63%
50 to 60%	28.512	11,58%	1.588.593.072	14,76%
60 to 70%	29.580	12,01%	1.877.469.255	17,45%
70 to 80%	42.252	17,16%	3.181.623.320	29,57%
More than 80%	0	0,00%	0	0,00%
Loan Purpose	**Number of Loans**	**% Total Loans**	**Amount of Loans**	**% Total Amount**
Owner-Occupied	177.391	72,03%	8.857.587.589	82,31%
Second Home	13.632	5,54%	583.030.121	5,42%
Buy to Let	0	0,00%	0	0,00%
Other	55.249	22,43%	1.320.350.857	12,27%
Property Type	**Number of Loans**	**% Total Loans**	**Amount of Loans**	**% Total Amount**
Residential	**246.272**	**100,00%**	**10.760.968.567**	**100,00%**
Flat	142.564	57,89%	5.832.085.017	54,20%
House	103.361	41,97%	4.919.877.324	45,72%
Other	347	0,14%	9.006.226	0,08%
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	**246.272**	**100,00%**	**10.760.968.567**	**100,00%**
Norte	70.008	28,43%	2.925.709.839	27,19%
Center	55.709	22,62%	2.378.748.950	22,11%
Lisbon	77.866	31,62%	3.595.600.946	33,41%
Alentejo	20.444	8,30%	801.636.334	7,45%
Algarve	11.614	4,72%	521.596.357	4,85%
Madeira	4.690	1,90%	260.739.698	2,42%
Azores	5.941	2,41%	276.936.443	2,57%
Delinquencies[7]	**Number of Loans**	**% Total Loans**	**Amount of Loans**	**% Total Amount**
> 30 to 60 days	285	0,12%	12.127.095	0,11%
> 60 to 90 days	7	0,00%	374.866	0,00%
> 90 days	0	0,00%	0	0,00%

Projected Outstanding Amount[b]



Amortisation Profile	Principal Balance
2016-09	10.246.692.863
2017-09	9.738.506.360
2018-09	9.243.972.401
2019-09	8.766.366.511
2020-09	8.305.446.047
2021-09	7.871.597.011
2022-09	7.445.451.283
2023-09	7.031.767.959
2024-09	6.637.867.800
2025-09	6.257.140.771
2026-09	5.891.375.282
2027-09	5.517.881.630
2032-09	3.926.841.366
2037-09	2.685.690.812
2042-09	1.631.633.405
2047-09	794.322.988
2052-09	214.179.640
2057-09	23.370.194

[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]	514.275.704	508.186.503	494.533.958	477.605.890	460.920.464	2.048.305.277	6.257.140.771
Commercial Mortgages	0	0	0	0	0	0	0
Other Assets[2]	0	0		0	102.458.219	87.447.301	0
Cover Pool	**514.275.704**	**508.186.503**	**494.533.958**	**477.605.890**	**563.378.683**	**2.135.752.578**	**6.257.140.771**
Covered Bonds	**325.000.000**	**1.406.450.000**	**750.000.000**	**750.000.000**	**1.000.000.000**	**2.750.000.000**	**20.000.000**

[b] Includes mortgage pool and other assets; assumes no prepayments (constant prepayment rate of 1.46%)

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 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 Deloitte & Associados – SROC, S.A. as Cover Pool Monitor. Deloitte & Associados – SROC, S.A. is registered with the CMVM under registration number 231.

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

DUTIES AND POWERS OF THE COVER POOL MONITOR

In accordance with the Covered Bonds Law, the Cover Pool Monitor is required to monitor, for the benefit of the holders of the Covered Bonds, compliance by the Issuer with the financial and prudential requirements established in the Covered Bonds Law and in the Bank of Portugal 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 was created as a state bank by legislative charter (*Carta de Lei*) of 10 April 1876 with the main functions of collecting and administering legally required or judicially ordered deposits and issuing and managing government debt. It gradually expanded its operations to become a savings and investment bank. Caixa Geral de Depósitos was transformed into a state owned public limited company (*sociedade anónima de capitais exclusivamente públicos*) on 20 August 1993, by Decree-law no. 287/93, when its name was also changed to Caixa Geral de Depósitos, S.A. ("**CGD**"). At present it operates as a full service bank and is subject to the legislation applicable to Portuguese financial institutions. CGD is wholly owned by the Portuguese state.

CGD's registered office is at Av. João XXI, no. 63, 1000-300 Lisbon, Portugal (tel: +351 21 795 30 00 / +351 21 790 50 00). Its share capital is €5,900,000,000 (following share capital increases from, €3,100,000,000 to €3,500,000,000 on 1 August 2008, from €3,500,000,000 to €4,500,000,000 on 29 May 2009, from €4,500,000,000 to €5,050,000 on 31 December 2010, from €5,050,000 to €5,150,000,000 on November 2011 and from €5,150,000,000 to the current share capital amount on 29 June 2012) represented by 1,180,000,000 ordinary shares with a nominal value of €5 each. CGD is registered in the Commercial Registry Office of Lisbon under the sole registration and taxpayer number 500 960 046.

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

The statements in this section relating to market positions of the Issuer are based on calculations made by the Issuer using data produced by itself and/or obtained from other entities and that are contained or referred to in the Annual Report of the Issuer for 2014 and/or in the Semester Report of the Issuer as at 30 June 2015 (available at www.cmvm.pt and www.cgd.pt).

CGD Group remained the banking sector leader in Portugal in 2014 in most segments and key products, namely the individual customers segment in Portugal, in terms of both deposits and mortgages (source: 2014 Annual Report of the Issuer).

Reference should be made, in the case of banking operations, to the market share of client deposits, with 28.6 per cent. at the end of 2014, and particularly the individual customers segment, with 32.4 per cent..

We should highlight that the global market share of loans, and advances to customers, including securitized operations, as of November 2014 was 21.4 per cent. according to the Bank of Portugal. The market share of mortgage loans remained at 26.5 per cent and the market share of corporate lending decreased from 18.1 to 17.8 per cent..

In asset management, in particular in the leasing sector, Caixa Leasing e Factoring ("**CLF**") maintained its first ranking position in equipment leasing, with a market share of 17.8 per cent.. The growth of 94.1 per cent. in turnover in the property leasing was translated into an increase in CLF's market share from 12.3 per cent. in 2013 to 19.8 per cent. to in 2014.CLF ranked in fourth position in the factoring sector with a market share of 9.7 per cent. against 8.7 per cent. in 2013.

The Unit Trust Investment Fund, Caixagest – Técnicas de Gestão de Fundos, S.A.. ("**Caixagest**") strengthened its position by increasing its market share from 26.3 per cent. to 31.8 per cent., thus maintaining a leadership position. In the area of real estate investment funds, Fundger – Sociedade Gestora e Fundos de

Investimento Imobiliário, S.A. ("**Fundger**") achieved a market share of 11.6 per cent.. Regarding pension funds management, CGD Pensões, Sociedade Gestora de Fundos de Pensões, S.A. ("**CGD Pensões**") has increased its market share to 19 per cent. in 2014 from 16.6 per cent. in 2013, ranking in second place on total assets under management. In terms of third party portfolio management, considering the mandates from the major institutional customers, Caixagest also increased its share from 35.9 per cent. in 2013 to 40.4 per cent. in 2014, maintaining its market lead.

In 2014, the brand was recognised and characterised by Portuguese consumers as having the best recognition factor as well as for its relevance to society, trust, strength, leadership, its status as a prestige benchmark organisation and its social and environmental responsibility.

Caixa Geral de Depósitos is the Portuguese financial market's benchmark brand. It is the parent company of a modern financial group prepared to meet the needs and expectations of millions of customers in 24 countries.

Caixa Geral de Depósitos, S.A. was, for the 7th consecutive year awarded the "Most Valuable Portuguese Banking Brand", in 2014, by the Brand Finance Banking 500, with an estimated financial value of €556.42 million and the 181st most valuable in the study. Its brand strength improved from AA- to AA.

Caixa kept its Portuguese Banking Brand with the best reputation from the Reputation Institute. Also, in 2014 Caixa was considered an Excellence Brand for the 7th consecutive time by Superbrands and maintained "Marcas que Marcam" ("*Brands with a Difference*") 2014 – in the "*Banks and financial institutions*" category. CGD maintains its reputation index with consumers in 2015 (64.9 points) guaranteeing its leadership in the banking reputation ranking in Portugal. Additionally, special reference should also be made to the Marketeer 2015 prizes for the best professionals in the marketing, advertising and communication areas in which CGD was the winner of the Banking Category for the third consecutive time.

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

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

The CGD Group intends to maintain its dominant position in Portugal. Through its network of 1,246 branches, 459 of which are located outside Portugal, CGD continues to focus on developing its client base, offering banking services to the largest number of customers in Portugal. The development of cross-selling of group company products through its branch network continues to be one of the main objectives of the CGD Group.

The CGD Group has expanded into foreign markets, mainly neighbouring regions in Spain and into markets with historical or linguistic ties to Portugal, such as Mozambique, Cape Verde and Macao. It is present through branches, subsidiaries and representative offices, in Spain ("**Banco Caixa Geral**", with a total of 109 branches), France (French Branch with 48 branches), Madeira, the United Kingdom, Switzerland, Luxembourg, Germany, India, China, Macao, Mozambique (Banco Comercial e de Investimentos with 168 branches), Cape Verde (Banco Interatlântico and Banco Comercial do Atlântico with 42 branches in total), South Africa, São Tomé e Príncipe, Venezuela, Mexico, the Cayman Islands, the United States, Brazil and East-Timor. In recent years, the CGD Group has applied new strategies, dominated by initiatives involving the modernisation of electronic distribution channels, such as Caixa Directa On-Line (e-banking), Caixa

Electrónica (e-channel for corporate), CaixaNet (IT infrastructures) and Bolsa Caixa Imobiliário (a channel dedicated to real estate and mortgages).

CGD Group’s structure and organisation

CGD Group's structure and organisation, during 2014 and in the first half of 2015, continued to proceed along a convergence trajectory towards a model centred on the banking business as its core activity, whose development is based on an extended geographic platform with priority hubs and strategic vectors.

Also, the Group is undergoing a profound restructuring process in Spain, in the form of a major re-dimensioning and reorientation of its business model. The Group’s presence in Spain, Portugal’s main trading partner, is crucial and of major potential in terms of its present business strategy in which the Iberian space is considered the Group’s domestic market.

The following is a list of the main changes to the Group's structure and composition during 2014 and first half of 2015:

During 2014 CGD strengthened its strategic focus on retail banking by reinforcing services to households and Portuguese corporates while concluding the sale of non-banking investments as established in the Restructuring Plan of the Economic and Financial Assistance Programme.

During 2014, the following developments have materialized in the CGD Group structure:

In April 30, as part of the reorganization of the Group's interests in Cape Verde, CGD along with Interatlântico Bank (BI) and Banco Comercial do Atlântico (BCA) sold to Fidelidade - Insurance Company 41.55 per cent., 4.35 per cent. and 10 per cent. respectively of the share capital of Garantia - Cape Verde Insurance Company. Thus, CGD and the BI ceased to participate in the capital of this insurance company, while BCA reduced its share to 25 per cent. of the capital. Also, on May 7, CGD acquired the 6.76 per cent. stake Garantia had in BCA, increasing its direct stake in the bank to 54.41 per cent.;

On May 15, Caixa Seguros e Saúde, S.G.P.S. sold 80 per cent. of the share capital of Fidelidade - Insurance Company, Cares - Insurance company and Multicare - Health Insurance to the Chinese group Fosun, in a privatization of CGD’s insurance group. As established in the purchase and sale agreement of Fidelidade, CGD’s participation in Fidelidade through Caixa Seguros would be limited to 15 per cent., with the sale of a 5 per cent. stake to employees. The Public Offering occurred on October 15 and 16 860 shares were sold to employees. The remainder of the 5 per cent. stake, were acquired by Fosun Group on January 8, 2015;

On June 17, CGD disposed of its 1.1 per cent. share of the capital in REN - Redes Energéticas Nacionais, SGPS during the second Phase of its Privatization, through a Public Offering (IPO) in the domestic market and a direct sale to national and international qualified investors;

On 31 December, by Unanimous Written Resolution of the shareholders of Gerbanca, SGPS, CGD and Caixa-Participações, SGPS, respectively holders of 92 per cent. and 8 per cent. of the share capital, approved the dissolution of the company.

Throughout the year CGD continued the restructuring of the commercial network in Portugal, closing 17 branches with low business volume or close physical proximity to other branches. With it, there was a reduction of 191 employees.

In January 2015, in Portugal, 19 branches were closed and abroad, except for Spain (where there was a reduction of 58 branches in 2014), there has been an expansion of the physical network, with the opening of 36 branches in Mozambique, 6 in Angola, 4 in Timor and one in São Tomé and Principe.

The resizing of the domestic sales network was accompanied by the enhancement of the quality of service through at-a-distance channels, always pursuing an approach of increased customer satisfaction, tailored to meet new customer profiles and the needs of the population.

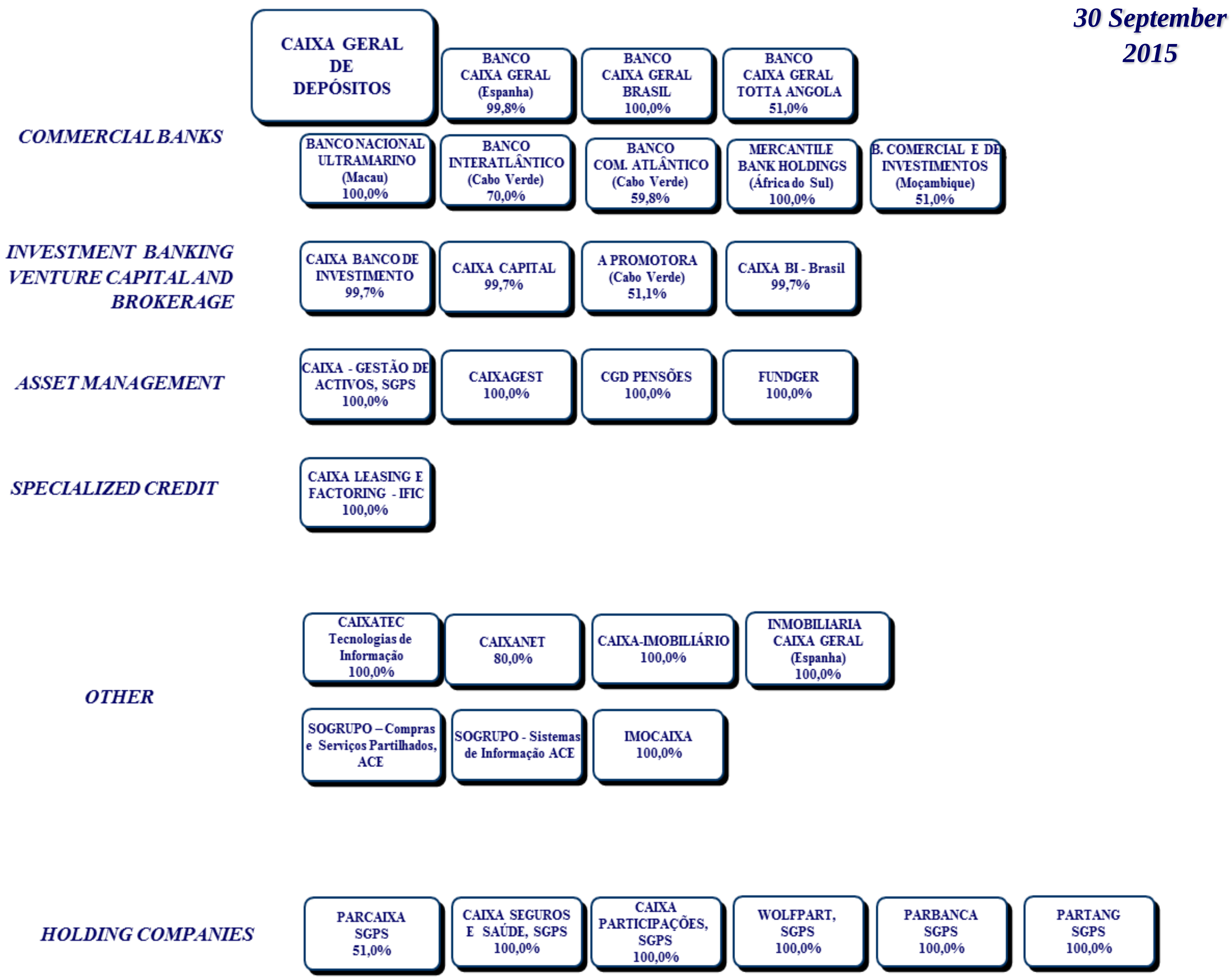
Current Activities

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

Set out below is a chart detailing the principal activities and companies within the CGD Group, showing CGD's or its subsidiaries' equity interest where appropriate, as at 30 September 2015.

Caixa Geral de Depósitos Group

(Only holdings exceeding 50 per cent.)



Summary Financial Information

Set out below in summary form are the audited, consolidated profit and loss accounts and the audited, consolidated balance sheets (showing net figures) of the CGD Group for the years ended 31 December 2013 and 31 December 2014. This financial information was prepared in conformity with International Accounting Standards/International Financial Reporting Standards ("**IAS/IFRS**") as adopted by the European Union in accordance with Regulation (EC) 1606/2002 of 19 July of the European Parliament and Council, as amended and incorporated into Portuguese legislation through Bank of Portugal Notice (*Aviso*) 1/2005 of 21 February, as amended.

Consolidated Balance Sheet

€ million

ASSETS	01/Jan/2013 (Restated)*	31/Dec./2013 (Restated) *	31/Dec./2014
Cash and cash equivalents at central banks	1,603.3	1,545.3	2,118.0
Cash balances at other credit institutions	1,302.0	1,036.6	878.3
Loans and advances to credit institutions	2,517.4	1,774.8	2,133.7
	5,422.7	4,356.7	5,130.0
Financial assets at fair value through profit or loss	3,588.0	2,785.9	3,073.6
Available-for-sale financial assets	20,531.5	15,543.4	15,898.4
Financial assets with repurchase agreement	504.2	705.6	1,281.1
Unit-linked investments	1,148.2	-	-
Hedging derivatives	98.7	45.5	78.0
Held-to-maturity investments	2,469.3	-	-
	28,339.9	19,080.4	20,331.1
Loans and advances to customers	74,641.5	70,017.5	66,863.6
Non-current assets held for sale	677.6	13,445.1	804.4
Investment property	1,562.5	1,308.3	1,189.2
Other tangible assets	941.2	675.0	666.3
Intangible assets	412.9	193.7	161.7
Investments in associates and jointly controlled entities	217.6	42.4	318.8
Current tax assets	61.2	128.7	54.9
Deferred tax assets	1,465.6	1,375.2	1,425.2
Technical provisions for outwards reinsurance	197.4	5.5	-
Other assets	3,534.6	2,865.9	3,206.7
Total Assets	**117,474.7**	**113,494.6**	**100,152.0**

(*)The 2013 consolidated values have been restated, following the implementation of IFRS 10 that led to the inclusion in the consolidation perimeter, by the full integration method, of IMOBCI (Mozambique), Fundimo and Fundiestamo.

Consolidated Balance Sheet
(€ million)

LIABILITIES AND EQUITY	01/Jan/2013 (Restated) *	31/Dec./2013 (Restated) *	31/Dec./2014
Resources of central banks and other credit institutions	12,226.7	9,734.6	6,001.7
Customer resources and other loans	71,355.0	67,842.9	71,134.2
Liability of unit-linked products	1,148.2	-	-
Debt securities	10,590.6	8,791.4	7,174.5
	83,093.9	76,634.3	78,308.7
Financial liabilities at fair value through profit or loss	2,217.0	1,644.8	2,121.1
Hedging derivatives	84.5	65.1	20.0
Non-current liabilities held for sale	100.7	11,590.7	1.9
Provisions for employee benefits	549.9	539.4	572.4
Provisions for other risks	422.9	341.8	269.3
Technical provisions for insurance contracts	4,224.1	10.1	-
Current tax liabilities	190.2	70.1	38.5
Deferred tax liabilities	194.0	180.6	370.4
Other subordinated liabilities	2,889.1	2,523.7	2,427.9
Other liabilities	4,130.0	3,483.6	3,527.4
Total liabilities	110,323.1	106,818.9	93,659.3
Share capital	5,900.0	5,900.0	5,900.0
Fair value reserves	(189.4)	63.9	411.8
Other reserves and retained earnings	587.8	409.6	(437.9)
Net income attributable to the shareholder of CGD	-	(578.9)	(348.0)
Equity attributable to the shareholder of CGD	6,298.4	5,794.7	5,525.8
Non controlling interests	853.1	880.9	966.9
Total equity	7,151.5	6,675.6	6,492.8
Total liabilities and equity	**117,474.7**	**113,494.6**	**100,152.0**

(*)The 2013 consolidated values have been restated, following the implementation of IFRS 10 that led to the inclusion in the consolidation perimeter, by the full integration method, of IMOBCI (Mozambique), Fundimo and Fundiestamo.

Consolidated Income Statement
(€ million)

	31/12/2013 (Restated)*	31/12/2014
Interest and similar income	3,611.8	3,339.2
Interest and similar costs	(2,756.9)	(2,350.5)
Income from equity instruments	69.0	49.6
NET INTEREST INCOME	923.8	1,038.3
Income from services rendered and commissions	673.0	659.1
Cost of services and commissions	(159.6)	(144.0)
Results from financial operations	263.2	201.7
Other net operating income	14.4	(16.5)
NET OPERATING INCOME	1,714.9	1,738.4
Staff costs	(793.0)	(729.6)
Other administrative costs	(476.3)	(487.4)
Depreciation and amortisation	(133.9)	(110.7)
Provisions net of reversals	1.8	62.8
Loan impairment net of reversals and recovery	(817.8)	(854.1)
Other assets impairment net of reversals and recovery	(309.5)	(158.3)
Results of subsidiaries held for sale	135.5	285.9
Results of associates and jointly controlled entities	5.2	19.4
INCOME BEFORE TAX AND NON CONTROLLING INTEREST	(673.2)	(233.5)
Income tax		
Current	1.2	(67.6)
Deferred	152.7	37.9
	153.9	(29.8)
CONSOLIDATED NET INCOME FOR THE YEAR, of which:	(519.2)	(263.3)
Non controlling interest	(59.7)	(84.7)
NET INCOME ATTRIBUTABLE TO THE SHAREHOLDER OF CGD	(578.9)	(348.0)

(*)The 2013 consolidated values have been restated, following the implementation of IFRS 10 that led to the inclusion in the consolidation perimeter, by the full integration method, of IMOBCI (Mozambique), Fundimo and Fundiestamo.

Consolidated Statement of comprehensive Income

(€ millions)

	Dec. 2013 (Restated)*			Dec. 2014		
	Current activities	**Non-current activities**	**Total**	**Current activities**	**Non-current activities**	**Total**
Balances subject to reclassification to results						
Adjustments to fair value of available-for-sale financial assets						
Gains / (losses) arising during the year	327.3	92.5	419.8	730.8	122.6	853.5
Adjustments of fair value reserves reclassification to results						
Recognition of impairment for the year	56.7	-	56.7	60.2	-	60.2
Disposal of available-for-sale financial assets	(133.7)	(1.0)	(134.8)	(231.8)	(112.5)	(344.3)
Tax effect	(90.9)	(23.1)	(114.1)	(156.9)	0.6	(156.3)
Currency changes						
Change in period	(123.6)	-	(123.6)	89.1	-	89.1
Adjustments of exchange reserves reclassification to results						
Recognition of impairment for the year of available-for-sale financial assets						
- Investment units in foreign currency	2.1	-	2.1	-	-	-
Recognition of foreign exchange gains and losses in connection with the disposal of subsidiaries	2.7	-	2.7	-	-	-
Tax effect	0.6	-	0.6	(3.6)	-	(3.6)
Other	7.7	-	7.7	(1.7)	-	(1.7)
	49.0	68.3	117.3	486.1	10.7	496.8
Balances not subject to reclassification to results						
Benefits to employees - actuarial gains and losses						
Change in period	(55.0)	(5.0)	(59.9)	(390.4)	-	(390.4)
Tax effect	8.4	1.6	10.0	8.8	-	8.8
	(46.6)	(3.4)	(50.0)	(381.5)	-	(381.5)
Total comprehensive net income for the year recognised in reserves	2.4	64.9	67.4	104.6	10.7	115.3
Net income for the year	(655.0)	135.8	(519.2)	(549.2)	285.9	(263.3)
TOTAL COMPREHENSIVE NET INCOME FOR THE YEAR, of which:	(652.6)	200.8	(451.9)	(444.7)	296.6	(148.0)

	Dec. 2013 (Restated)*			Dec. 2014		
	Current activities	**Non-current activities**	**Total**	**Current activities**	**Non-current activities**	**Total**
Non controlling interest	(44.9)	(0.8)	(45.7)	(95.4)	-	(95.4)
TOTAL COMPREHENSIVE NET INCOME ATTRIBUTABLE TO THE SHAREHOLDER OF CGD	(697.5)	199.9	(497.5)	(540.0)	296.6	(243.4)

(*)The 2013 consolidated values have been restated, following the implementation of IFRS 10 that led to the inclusion in the consolidation perimeter, by the full integration method, of IMOBCI (Mozambique), Fundimo and Fundiestamo.

Consolidated Cash Flow Statements
(€ millions)

	31/Dec./2013 (Restated)*			31/Dec./2014
OPERATING ACTIVITIES	Current activities	Non-current activities	Total	Total
Cash flows from operating activities before changes in assets and liabilities				
Interest, commissions and similar income received	4,332.3	296.9	4,629.2	3,972.8
Interest, commissions and similar costs paid	(2,309.2)	(325.1)	(2,634.3)	(2,296.4)
Premiums received (insurance)	5.0	1,181.7	1,186.7	-
Cost and claims paid (insurance)	(1.7)	(963.6)	(965.3)	-
Recovery of principal and interest	34.6	-	34.6	30.1
Payments to employees and suppliers	(1,110.1)	(305.4)	(1,415.5)	(1,152.4)
Payments and contributions to pension funds and other benefits	(115.5)	(3.6)	(119.1)	(379.5)
Other results	150.2	144.3	294.5	143.1
	985.6	25.3	1,010.9	317.7
(Increases) decreases in operating assets				
Loans and advances to credit institutions and customers	4,555.1	(710.4)	3,844.7	1,227.1
Assets held for trade and other assets at fair value through profit or loss	120.6	552.5	673.1	(14.1)
Other assets	(61.4)	297.5	236.2	(279.2)
	4,614.3	139.6	4,754.0	933.8
Increases (decreases) in operating liabilities				
Resources of central banks and other credit institutions	(2,495.8)	2.5	(2,493.3)	(3,667.5)
Customer resources	869.4	-	869.4	3,431.7
Other liabilities	130.8	(547.9)	(417.1)	(44.9)
	(1,495.5)	(545.4)	(2,041.0)	(280.6)
Net cash from operating activities before taxation	4,104.4	(380.5)	3,723.9	971.0
Income tax	(107.2)	(156.6)	(263.7)	(21.9)
Net cash from operating activities	3,997.2	(537.1)	3,460.2	949.1

(*)The 2013 consolidated values have been restated, following the implementation of IFRS 10 that led to the inclusion in the consolidation perimeter, by the full integration method, of IMOBCI (Mozambique), Fundimo and Fundiestamo.

Consolidated Cash Flow Statements
(€ millions)

	Dec. 2013 (Restated)*			Dec. 2014
INVESTING ACTIVITIES	Current activities	Non-current activities	Total	Total
Dividends received from equity instruments	74.4	-	74.4	49.6
Acquisition of investments in subsidiary and associated companies, net of disposals	(23.7)	38.3	14.6	967.6
Acquisition of available-for-sale financial assets, net of disposals	(200.5)	76.9	(123.6)	657.4
Acquisition of tangible and intangible assets and investment property, net of disposals	(69.7)	(10.9)	(80.6)	(93.7)
Net cash from investing activities	**(219.5)**	**104.3**	**(115.2)**	**1,580.9**
FINANCING ACTIVITIES				
Interest on subordinated liabilities	(143.8)	-	(143.8)	(117.2)
Interest on debt securities	(505.2)	-	(505.2)	(347.4)
Issue of subordinated liabilities, net of repayments	(399.3)	-	(399.3)	(104.0)
Issue of debt securities, net of repayments	(2,935.7)	-	(2,935.7)	(1,615.1)
Net cash from financing activities	(3,984.0)	-	(3,984.0)	(2,183.8)
Increase (decrease) in cash and cash equivalents	(206.2)	(432.8)	(639.0)	346.2
Cash and cash equivalents at the beginning of the year	2,905.3	-	2,905.3	2,581.9
Balances slaughtered in the process of consolidation affects the "Non-current assets held for sale"	565.0	-	565.0	-
Balances reclassified to "Non-current assets held for sale"	(616.0)	616.0	-	-
Effects of the exchange rate change on cash and cash equivalents	(66.2)	-	(66.2)	68.2
Net change of cash and cash equivalents	(206.2)	(432.8)	(639.0)	346.2
Cash and cash equivalents at the end of the year	**2,581.9**	**183.2**	**2,765.2**	**2,996.3**

(*)The 2013 consolidated values have been restated, following the implementation of IFRS 10 that led to the inclusion in the consolidation perimeter, by the full integration method, of IMOBCI (Mozambique), Fundimo and Fundiestamo.

Consolidated Statements of Changes in Equity for the years ended 31 December 2012 and 2013

(Amounts expressed in € million)

	Share capital	Fair value reserve	Other reserves and retained earnings: Other reserves	Other reserves and retained earnings: Retained earnings	Other reserves and retained earnings: Total	Net income for the year	Subtotal	Non controlling interests	Total
Balances at 31 December 2012	5,900.0	(189.7)	1,423.5	(444.4)	979.1	(394.7)	6,294.7	985.3	7,280.0
Impact of the adoption of regulatory accounts for the preparation of consolidated financial statements	-	0.3	1.4	-	1.4	2.0	3.7	(132.2)	(128.5)
Balances at 31 December 2012 (restated)	5,900.0	(189.4)	1,424.9	(444.4)	980.5	(392.7)	6,298.4	853.1	7,151.5
Appropriation of net income for 2012:									
Transfer to reserves and retained earnings	-	-	286.4	(679.1)	(392.7)	392.7	-	-	-
Other entries directly recorded in equity:									
Measurement gain/(losses) on available-for-sale financial assets	-	253.3	(30.4)	-	(30.4)	-	222.9	4.8	227.7
Actuarial gains and losses recognition associated with post-employment benefits (IAS 19)	-	-	(50.0)	-	(50.0)	-	(50.0)	-	(50.0)
Currency changes in subsidiaries and branches	-	-	(103.0)	-	(103.0)	-	(103.0)	(15.2)	(118.1)
Other	-	-	11.4	-	11.4	-	11.4	(3.6)	7.7
Total gains and losses for the year recognized in equity	-	253.3	(172.0)	-	(172.0)	-	81.4	(14.0)	67.4
Share capital increase	-	-	-	-	-	-	-	-	-
Changes in Group perimeter	-	-	-	-	-	-	-	0.8	0.8
Written-put over non-controlling interests - Partang	-	-	(6.2)	-	(6.2)	-	(6.2)	-	(6.2)
Dividends paid on preference shares and other dividends paid to non-controlling interest	-	-	-	-	-	-	-	(18.7)	(18.7)

			Other reserves and retained earnings						
	Share capital	Fair value reserve	Other reserves	Retained earnings	Total	Net income for the year	Subtotal	Non controlling interests	Total
Reclassification between reserves and retained earnings	-	-	(41.4)	41.4	-	-	-	-	-
Net income for the year	-	-	-	-	-	(578.9)	(578.9)	59.7	(519.2)
Balances at 31 December 2013	5,900.0	63.9	1,491.7	(1,082.1)	409.6	(578.9)	5,794.7	880.9	6,675.6

Consolidated Statements of Changes in Equity for the years ended 31 December 2013 and 2014

(Amounts expressed in € million)

	Share capital	Fair value reserve	Other reserves and retained earnings: Other reserves	Other reserves and retained earnings: Retained earnings	Other reserves and retained earnings: Total	Net income for the year	Subtotal	Non controlling interests	Total
Balances at 31 December 2013	5,900.0	63.9	1,491.7	(1,082.1)	409.6	(578.9)	5,794.7	880.9	6,675.6
Appropriation of net income for 2013:									
Transfer to reserves and retained earnings	-	-	511.6	(1,090.5)	(578.9)	578.9	-	-	-
Other entries directly recorded in equity:									
Measurement gain/(losses) on available-for-sale financial assets	-	347.9	68.9	-	68.9	-	416.7	(3.7)	413.1
Actuarial gains and losses recognition associated with post-employment benefits (IAS 19)	-	-	(381.5)	-	(381.5)	-	(381.5)	-	(381.5)
Currency changes in subsidiaries and branches	-	-	69.5	-	69.5	-	69.5	16.0	85.5
Other	-	-	(0.1)	-	(0.1)	-	(0.1)	(1.7)	(1.7)
Total gains and losses for the year recognised in equity	-	347.9	(243.2)	-	(243.2)	-	104.7	10.6	115.3
Changes in Group perimeter	-	-	-	-	-	-	-	8.8	8.8
Written-put over non controlling interests - Partang	-	-	(25.5)	-	(25.5)	-	(25.5)	-	(25.5)
Dividends paid to non controlling interest	-	-	-	-	-	-	-	(18.2)	(18.2)
Reclassification between reserves and retained earnings	-	-	79.9	(79.9)	-	-	-	-	-
Net income for the year	-	-	-	-	-	(348.0)	(348.0)	84.7	(263.3)

Balances at 31 December 2014	5,900.0	411.8	1,814.6	(2,252.5)	(437.9)	(348.0)	5,525.8	966.9	6,492.8

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

	As of 31 December	
Profitability and Efficiency Ratios	**2013**	**2014**
Gross Return on equity (before tax)[1]	(9.4)	(3.2)
Return on equity (after tax)[1]	(7.2)	(3.6)
Gross Return on assets [1]	(0.6)	(0.2)
Return on assets (after tax)[1]	(0.5)	(0.3)
Net operating income[4]/average net assets)[1]	1.5	1.7
Cost-to-income[1]	81.6	75.5
Asset Quality Ratios		
Loans-to-deposit ratio	103.5	94.5
Credit at risk /total credit)[1]	11.3	12.2
Non-performing credit/ total credit [1]	7.5	8.9
Overdue credit / total credit	6.7	7.7
Credit more than 90 days overdue /total credit	6.1	7.1
Restructured credit / Total credit	8.0	10.6
Rest. Credit not included in credit at risk / Total credit	4.8	6.3
Accumulated impairment /overdue credit	91.0	94.3
Accumulated impairment /credit more than 90 days overdue	99.9	102.3
Capital Ratios		
Common equity Tier 1 (phased-in)	10.9	10.9
Tier 1 (phased-in)	10.9	10.9
Total (phased-in)	12.4	12.7
Common equity Tier 1 (fully Implemented)	7.6	9.8

(1) Ratios defined by the Bank of Portugal

Recent Developments

CGD completed an important stage of its strategy, in 2014, tightening its focus as a commercial retail bank at the service of Portuguese households and companies, completing the disposal of its non-banking financial investments, as provided for in the Economic and Financial Assistance Programme included in the Restructuring Plan.

Reference should be made to the following developments in CGD Group's structure, in 2014:

- On 30 April, in the sphere of the reorganisation of the Group's equity stakes in Cape Verde, CGD, Banco Interatlântico (BI) and Banco Comercial do Atlântico (BCA) sold their respective equity stakes of 41.55 per cent., 4.35 per cent. and 10 per cent. in the share capital of Garantia – Companhia de Seguros de Cabo Verde to Fidelidade - Companhia de Seguros. CGD and BI therefore ceased to have any equity stake in Garantia and BCA reduced its stake in the insurance company to 25 per cent.. At the same time, on 7 May, CGD purchased an equity stake of 6.76 per cent. in BCA from Garantia, increasing its direct equity stake in the bank to 54.41 per cent.;
- On 15 May, Caixa Seguros e Saúde, S.G.P.S. sold 80 per cent. of the share capital of Fidelidade -

Companhia de Seguros, Cares - Companhia de Seguros and Multicare - Seguros de Saúde to the Chinese group Fosun, in the sphere of the privatisation of CGD's insurance group. As provided for in Fidelidade's sales agreement, Caixa Seguros could have an equity stake of 15 per cent., with the disposal of 5 per cent. of the share capital to workers. The public offering for sale took place on 15 October, with the sale of 16,860 shares to workers. The remaining shares, to make up the 5 per cent. of Fidelidade's capital, were purchased by Fosun Group on 8 January 2015;

- CGD disposed of its 1.1 per cent. equity stake in REN – Redes Energéticas Nacionais, S.G.P.S. on 17 June in the sphere of the company's 2nd reprivatisation stage in the form of a domestic public offering and direct sale to qualified national and international investors;
- On 31 December it was approved in the form of a Unanimous Written Resolution the dissolution of Gerbanca, S.G.P.S. by its shareholders - CGD and Caixa-Participações, S.G.P.S., with 92 per cent. and 8 per cent. of the share capital, respectively.

Streamlining operations continued to be performed on the branch office network in Portugal across the year as a whole, with the closure of 17 "face-to-face service" branches with low business revenues or in the immediate vicinity of other branches, together with a reduction of 191 employees. In January 2015 there were an additional 19 closures of "face-to-face service" branches on the domestic network. Abroad, with the exception of Spain (with a reduction of 58 branches in 2014), witnessed an expansion of the physical network with the opening of 36 branch offices in Mozambique, 6 in Angola, 4 in Timor and 1 in São Tomé e Príncipe.

The streamlining of the domestic branch office network has been accompanied by a reinforcement of distance channel services, always pursuant to an approach based on improvements to the quality of service, tailored to meet the new profiles and needs of the population.

On 8 July 2015 CGD announced that Banco Santander Totta, S.A. and Santotta - Internacional SGPS, Sociedade Unipessoal, Lda. have exercised their put option on their equity stake of 49 per cent. in the company Partang, SGPS, S.A., under the terms of an agreement entered into by the three entities in July 2009. Following the exercising of this option, CGD now owns 100 per cent. of the share capital of Partang SGPS, S.A., which in turn has a 51 per cent. equity stake in Banco Caixa Geral Totta de Angola S.A..

On 12 November 2015, CGD disclosed the consolidadted results for the first nine months of 2015. The key results are as follows:

Results

CGD's results for the first nine months of 2015, before tax and non-controlling interests, were up €328.1 million over the same period 2014 to €176.7 million.

This improvement in the referred to results essentially derives from:

- The contribution of net interest income, including income from equity instruments (up 12.1 per cent. by €94.7 million), owing to the marked 22.0 per cent. reduction of €399.3 million in funding costs which more than offset the decline also noted in income from lending operations;
- The resilience of net commissions charges which were down 1.6 per cent- by no more than €6.1 million to €375.1 million in comparison to the same period 2014;
- The marked progression of income from financial operations with a 54.4 per cent. increase of €115.9 million to €329.0 million over the first nine months of 2014, although 91.8 per cent. of such income was essentially generated in the 1st half year, given market conditions in 3rd quarter 2015;

- A clear containment of operating costs whose 1.6 per cent. growth reflects the different circumstances in the various geographies in which CGD Group is present;
- A cost of credit risk ratio which confirms the deceleration already felt in the preceding quarters, to 0.66 per cent. of the average loans and advances to customers balance across this nine month period, as a reflection of the country's economic evolution, as well as CGD's performance in the credit and credit recovery areas.

The referred factors, as well as the tax burden on the said results led to an improvement of €236.0 million in consolidated net income to €3.4 million in comparison to the same period of the preceding year (considering the mentioned adjustments).

The net income of €3.4 million in September 2015, represents a decrease (-€42.9 million) when compared to the unadjusted value of €46.3 million obtained in the same period of 2014.

However, excluding the non-recurring impact of positive €278.9 million related to the disposal of the referred insurance companies in 2014, the adjusted net income for September 2014 would have been a loss of €232.6 million, which when compared to €3.4 million recorded in September 2015 shows an improvement of €236.0 million.

Balance Sheet

CGD Group's consolidated balance sheet at the end of September 2015 was down 0.7 per cent. over the same period of the preceding year to €99,550 million.

Customer resources at the end of September were up €983 million over the same date of the preceding year to €71,067 million, reflecting CGD's capacity to attract customer investments, even in an environment of reduced (and falling) returns on deposits.

Customer resources at the end of 3rd quarter 2015, represented 76.2 per cent. of total liabilities taken by Caixa, providing a view of the characteristics of a bank centred on the Portuguese retail market.

Loans and advances to customers (including loans with repurchase agreements) totalled €71,408 million in September last, reflecting the strong progression of new sales in 2015 in comparison to 2014, but insufficient to offset portfolio maturities.

New mortgage loans for the period from January to September were up 93.4 per cent. year-on-year to €710.4 million. Lending to SMEs was up 23.0 per cent. to €3.980 million.

The loans-to-deposits ratio of 93.1 per cent. reflected CGD's resource-taking capacity in addition to the competition existing in the domestic credit market.

Liquidity and Solvency

CGD Group continued to reduce its level of borrowings from the Eurosystem (down €295 million over December 2014 to €2,815 million in September 2015).

The value of the assets available in the ECB pool remained practically unchanged at €8,995 million as of last September.

The LCR ("Liquidity Coverage Ratio") indicator, at 148.1 per cent., was higher than the minimum requirements and indicative of CGD's liquidity position.

The Common Equity Tier 1 phased-in and fully implemented ratios, calculated under CRD IV/CRR rules, at 10.7 per cent. and 9.7 per cent. in September 2015 respectively, reflects the balance of CGD's current capital position.

Strategic Plan

CGD Group's strategic plan has been structured on two key challenges:

1st challenge: To protect and strengthen CGD Group's financial health (solvency, liquidity and profitability) to meet the needs of the new economic and financial sector context.

2nd challenge: To transform CGD, focusing its activity on the banking business to ensure the group's sustainability and competitiveness on an organisational and business model level.

The first challenge requires a response to the needs created by the new economic and financial sector context, even in more adverse scenarios, strengthening the group's indicators to maintain a core tier I ratio of 10 per cent., ROE of 10 per cent. 5 years from now and a stable loans-to-deposits ratio of between 110-120 per cent..

The second challenge aims to prepare and guarantee CGD's sustainability and competitiveness on an organisational and business model level owing to the paradigm shift in the banking sector, adjusting the bank’s current model in Portugal and integrating it in supply terms with the international network, ensuring greater focus on services/transactions, a service model more in line with foreseeable market evolution and requirements of key segments – premium customers, non-residents and companies/SMEs working in the tradable goods sectors – and necessary support based on platforms, processes and HR optimisation in line with the new market requirements.

The key strategic guidelines defined to meet the referred to challenges are:

a) To increase net interest income, particularly by reducing the funding costs of deposits;

b) To protect and boost revenue generation;

c) To improve efficiency levels based on measures to enable productivity gains, in a context of deleveraging and change of key business determinants, both as regards the branch office network and central services;

d) To optimise all risk management-related processes, particularly in respect of the more integrated management of the group’s property assets and credit oversight and recovery process;

e) To create profitable assets with adequate risk levels by strengthening relationships with companies, notably SMEs, with CGD achieving the status of the bank of first choice of the best SMEs;

f) To back corporate capitalisation and microfinance. Intervention in this area is considered fundamental to ensure the funding of investments needed to improve corporate competitiveness and reduce financial costs;

g) To increase backing for exports/internationalisation. CGD should operate as a support bank for exporting companies, increasing its contribution to the country’s economic development by reinforcing Portuguese companies’ competitiveness and internationalisation;

h) To maintain its leading position in the individual customers’ segment;

i) To take in savings and diversify liquidity sources, adopting a commercial strategy enabling it to maintain a low level of balance sheet liquidity risk, albeit not disregarding profitability;

j) To continue to deleverage its balance sheet based on disposals of non-core assets to align its loans-to-deposits ratio with the defined objective;

k) To strengthen a multichannel customer relationships strategy, pursuant to which the development of distance banking will permit the reconfiguration of the physical branch office network by moving into new locations with more flexible formats;

l) To guarantee each individually considered group entity's positive contribution to consolidated net income, ensuring adequate credit and liquidity risk management;

m) To promote talent management and human resources mobility.

Lastly, the strategies and policies defined by the group aim to meet the following corporate objectives:

- Liquidity
  - A loans-to-deposits ratio of less than 120 per cent.;
  - Stabilization/reduction of intragroup funding needs;
  - A progressive reduction of ECB funding;
  - Convergence of the stable funding ratio to 100 per cent..
- Solvency
  - Core tier 1 ratio – compliance with the capital requirements provided for in the EBA's core tier 1 preservation recommendation, implementation of Basel III and those deriving from the SSM (single supervisory mechanism).
- Efficiency
  - Convergence of net commissions/employee costs ratio to 100 per cent.;
  - Convergence of cost-to-income (BdP) to 50 per cent..

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

General Overview

According to the Bank of Portugal's projections in its December 2014 Economic Bulletin the Portuguese economy enjoyed positive growth for the first time in four years. This evolution is explained by the performance of domestic demand given that, as opposed to the recent past, foreign trade made a negative contribution to GDP in 2014, as the increase of imports was higher than that of exports.

According to the central bank, there was a halt in the growth trend of exports over the three previous years although their evolution was significantly affected by the energy goods component due to the extended period of closure of a refinery in the first quarter of the year.

On the budget front, efforts continued to be made to reduce the deficit which is estimated to be lower than the government's defined target. A contributory component to such evolution was particularly a higher than expected growth of fiscal revenues accompanied by lower public expenditure.

In line with most euro area countries, there was a visible decline in the Portuguese HICP which, in 2014, posted an average negative change of 0.3 per cent., following a positive change of 0.3 per cent. in 2013.

The unemployment rate fell in the first three quarters of 2014 to its lowest level of the last 4 years at 13.1 per cent., with a 16 per cent. decrease in the number of unemployed to 688,900 in comparison to the same quarter 2013.

Portugal successfully exited its Economic and Financial Assistance Programme in May without the need for any precautionary measures.

Deposits and Credit Aggregates

In 2014, the aggregate liquidity M3 (a broad measure of the money supply within the economy), excluding currency in circulation, registered a zero rate growth of 0 per cent..

Total deposits, were up 1.2 per cent., in comparison to the preceding year's positive rate of 3.2 per cent., in part due to the evolution of non-financial corporations' deposits and individual customers' and emigrants' deposits.

Total domestic credit has decreased 5.7 per cent.. Lending to central and local government, net of liabilities to central government were down 14.9 per cent., with a contraction of 5.7 per cent. in lending to non-financial corporations and loans and advances to individual customers have also decreased 3.6 per cent..

Interest Rates

During 2014, the ECB, taking into account the continuous low levels of inflation, announced new cuts in its key reference rate, totalling 20 bp, in June and September, to a minimum historic level of 0.05 per cent.. The council of governors of the European Central Bank also strengthened its commitment to keep reference rates very low for a "long period of time".

The ECB, on the other hand, also introduced a series of other non-conventional stimuli, to facilitate lending to the economy and continuous improvement of the euro area's financial fragmentation, to ensure the adequate transmission of monetary policy and achieve the objective of maintaining price stability. It also expressed its willingness to introduce new measures, if required.

The ECB's actions were, once again, determinant in terms of the performance of Euribor rates. Following the end of the 1st quarter when the central bank signalled its intention of reinforcing monetary stimuli, interest rates which are frequently used as an indexer for financial intermediation operations, embarked upon a downwards trend to successive historic minimums in the second half of the year.

During the year of 2014, Euribor rates for 1, 3, 6 and 12 month maturities fell, 19.8 bp, 20.9 bp, 21.8 bp and 23.1 bp along the year respectively.

During 2014, interest rates on new operations, both deposits and loans, were down, in line with the trend in interest rates used as indexes for credit operations, i.e. the Euribor rates also reflecting the reduction of financial institutions' funding costs in capital markets. The sharpest decline was in the non-financial corporations segment, particularly lending.

Exchange Rates

In 2014, the euro depreciated against most other currencies in 2014, owing to the strengthening of the expansionary nature of monetary policy in the euro area, deriving from an environment of a fall in inflation to values which are considered to be very low and the maintenance of a slow rate of growth.

The single currency lost 10.0 per cent. of its value against the US dollar, owing to the divergent performance of the respective central banks, with the Fed completing its quantitative easing programme and the ECB's strengthening of its monetary stimuli. The euro closed the year at less than $1.21, its lowest since mid-2012.

In comparison to the main European currencies, the euro's performance, in 2014, was mixed. The single currency depreciated 6.5 per cent. and 2.0 per cent. against sterling and the Swiss franc respectively, having appreciated 6.7 per cent. and 8.1 per cent. against the Swedish krona and Norwegian krone respectively, which performance, in this latter case was achieved at the end of the year, owing to the fall in oil prices.

The euro appreciated against the yen for the third consecutive year, this time by 3.8 per cent., having, at the end of the year reached a six year peak of 144.85 yen to the euro. The Japanese economy's disappointing performance and fall in inflation, and increasing fears over the possibility of once again failing to achieve the 2 per cent. objective defined by the Bank of Japan, in 2015, led to the strengthening of extraordinary measures by the Japanese authorities, contributing to the yen's loss of value.

However, with the exception of the yen, the single currency once again trended to depreciation outside the European space, exemplified by the Australian (-4.0 per cent.), New Zealand (-7.3 per cent.) and Canadian (-3.7 per cent.) dollars. In Asia, reference should be made to the 10.1 per cent. depreciation against the Indonesian rupiah and 8.4 per cent. depreciation against the Korean won.

The single currency also depreciated against the BRIC currencies across the year except for the case of the Russian rouble against which it appreciated by more than 62 per cent.. The euro depreciated 3.7 per cent. against the Chinese renminbi and posted its first annual loss in four years against the Brazilian real and Indian rupee, although at very different rates. Depreciation against the Brazilian currency was 0.9 per cent. and 9.9 per cent. against the Indian currency.

Capital Markets

Performance in the capital markets, in 2014, was, once again, driven to a large extent by the central banks, in an environment of gradual improvement in the developed economies, particularly in the US, and moderation in the most relevant emerging economies.

Diverse factors helped to improve the economic outlook across 2014. The impact of the fiscal consolidation endeavours occurring over the last few years was less negative in addition to the measures of the central banks which added new monetary stimuli, further expanding the financial systems liquidity and helping to reverse the deterioration of funding conditions in diverse economies.

Special reference should be made to the European Central Bank which across the year resumed its provision of both conventional and non-conventional stimuli. These measures, in conjunction with the understanding on the banking union reached in the European Parliament and Council contributed towards signs of an improvement in the sovereign debt crisis in the euro area.

The rate of economic growth was similar to 2013, with an acceleration in the second half of the year. Particularly noticeable was the US economy which achieved its strongest rate of expansion of the last decade. On the contrary, growth in emerging and developing countries was moderate. Such different trends noted on an economic level translated into different levels of capital market performance.

Falling prices for certain commodities, particularly oil in second half 2014, had a negative impact on their respective exporting countries, but comprised an additional growth boosting factor in the case of importing countries. The deflationary effect of the fall in commodity prices, namely energy, also contributed to the decline in inflation, which, in several cases, triggered a response from the central banks in the form of new monetary stimulus measures.

Capital markets were also constrained by one-off geopolitical factors, in 2014, particularly the conflict between Russia and Ukraine and continuing instability in the Middle East.

Equity Market

The main equity indices made gains in 2014, although fewer than in 2013. In spite of being a year of new across-the-board monetary stimuli and favourable corporate results, there were several one-off adjustments to the main equity indices during the course of the year, contributing towards an appreciation of the Morgan Stanley global index of no more than 2.9 per cent. against 24.1 per cent. in 2013.

The first phase of the correction owing to the fears associated with the Fed's reductions of monetary stimuli and economic slowdown in China, occurred at the end of January. A new correction was triggered at the beginning of August, with the intensifying of tensions between Russia and Ukraine. The period between September and October witnessed the strongest correction of the year. In addition to the continued tensions in euro area the explanation lies in the uncertainty represented by the huge decline in oil prices in several countries and the signs of a new weakening of the euro area. The market was down yet again close to the end of the year owing to the reappearance of political uncertainties in Greece and the sharper drop in commodity prices.

The US stock market achieved its sixth consecutive year of growth, in 2014 with the main indices ending the year at historic maximums. The S&P 500 benchmark index was up 11.4 per cent., and the Dow Jones up 7.5 per cent.. The NASDAQ technology index, up for the third consecutive year, rose 13.4 per cent., closing the year at more than 4,700 points, the highest since March 2000.

The Japanese Nikkei 225 was up 7.1 per cent., after having appreciated by its second highest ever amount of 56.7 per cent., in the preceding year and ending the year at close to its highest level since 2007. The yen's depreciation of 13.7 per cent. against the dollar contributed to this performance, in spite of the more negative than expected impact of the VAT hike on economic activity in the second and third quarters.

Equity market performance in Europe was particularly diverse. The Irish market made its mark with gains of 15.1 per cent.. Substantially more modest were the 3.7 per cent. and 2.7 per cent. gains made by Spain's IBEX and Germany's DAX at more than 10 000 points and 9 800 points, respectively, in a year in which Italy's stock market did not register any change and France's index was a marginal 0.5 per cent. down.

On the negative side reference should be made to Portugal's PSI20 which, up 18 per cent. by the beginning of April ended the year down 26.83 per cent., with one of the worst results worldwide with only Russia's and

Greece's markets turning in a worse level of performance. The performance of Portugal's index was its third worst ever, having been especially affected by the situation of GES and PT SGPS.

Equity market performance was also heterogeneous. On the negative side, in addition to the Russian market's sharp fall of 45.2 per cent., reference should be made to Brazil's Bovespa which was down 2.9 per cent., in this case for the second successive year. On the positive side reference should be made to the 29.9 per cent. and 52.9 per cent. gains made by the Indian (Sensex) and Chinese (Shanghai) markets. The Morgan Stanley index for emerging markets was down 4.6 per cent., in 2014.

Bond Market

There was a sharp reduction in sovereign debt yields in Europe in 2014. In the case of Germany, the regional benchmark, this followed an increase in 2013 and was associated with lower inflation in the euro area and the ECB's respective actions. In the case of the European periphery, the downwards trend on yields in 2014 accentuated the trend which was already visible in the past year, accompanied by narrowing spreads in comparison to Germany. Greece in which yields were up last year, was an exception.

The favourable evolution of the risk premium on peripheral issuers was consistent across the year. These issuers benefited from the environment of a return to economic growth and European Central Bank support, owing to the introduction of new monetary stimuli and commitment to maintain an expansionary monetary policy.

The fall in sovereign debt yields in Spain, Italy, Ireland and Portugal, also derived from the reduction of imbalances, both on a level of the public and external accounts and strengthening of European governance mechanisms. Particular reference should be made to the understanding on the banking union reached in the European Parliament and Council.

After rising in 2013 for the first time in 4 years, yields over the longer maturities in the US were down once again in 2014, owing to expectations of lower inflation particularly associated with the sharp fall in oil prices in the second half and the Fed's patient posture in the transition to a cycle of increasing reference rates.

In the case of the shorter maturities, the US saw an upwards trend related with the Fed's ending of its quantitative easing programme in October and consequent adoption of a less accommodating monetary policy. In the euro area, being in a different phase of the cycle with a clear distortion towards the addition of more stimuli, rates over the shorter maturities were down as in the case of the longer maturities in the region, having, in the case of Germany, traded in negative territory over the second half of the year.

Overall, the 10 year rate in the US was down 85.7 bp. closing at 2.17 per cent., as opposed to the 2 year rate which was up 28.5 bp to 0.664 per cent.. In Germany, the rates on these maturities were down respectively by 138.8 bp to a historic minimum of 0.54 per cent. and - 31.1 bp having, in this case, closed at a negative value (-0.098 per cent.), which was also a minimum.

On the European periphery, Portugal was the country with the largest reduction in its 10 year rate which was down 344 bp to 2.69 per cent.. Italy and Spain also obtained notable reductions of 224 bp to 1.89 per cent. and 254 bp to 1.61 per cent., respectively. In all cases these were the lowest ever levels. Portugal therefore witnessed its third consecutive year of a narrowing risk premium on its sovereign debt of -205.5 bp against German debt. Over the 2 year maturity the fall in the Portuguese yield was 290 bp with a spread compression of -259.5 bp.

The context of added monetary type stimuli, particularly in Europe, evidence of strong growth in the US and outlook for an acceleration of global economic activity in 2015 may create a favourable scenario for the private debt market and consequent reduction of risk premia.

Progression in terms of the integration of the European financial system, particularly on account of the asset quality review and the stress tests in the sphere of the single supervisory mechanism provided additional market backing.

In general, European credit derivative spreads continue to trend to decline as in past years, having, in the second half of the year, stabilised at their lowest levels since the beginning of 2008. Credit spreads therefore contracted for the 3rd consecutive year (-7.2 bp) to close at 62.9 points. Reference should also be made to financial corporations' spreads with an even more pronounced narrowing process (-19.8 bp).

The primary market outperformed expectations, posting a higher volume of issuances, both by financial and non-financial entities. In particular, the non-financial segment saw a 33.3 per cent. annual increase of issuances over the preceding year (with year-on-year growth of 4.1 per cent. in 2013).

Low overall yield levels at historic minimums and spread compression have made investors' demands for returns one of the market's main supporting factors, enabling yet another year of a major placements of speculative debt to a new record volume in Europe.

ASSETS AND LIABILITIES

(€ million)

ASSETS	Dec. 2013 (Restated) *	Dec. 2014	Total change	(%)
Cash and cash equivalents at central banks	1,545	2,118	573	37.1%
Loans and advances to credit institutions	2,811	3,012	201	7.1%
Loans and advances to customers	70,018	66,864	(3,154)	(4.5%)
Securities Investments	18,329	18,972	643	3.5%
Assets with Repurchase Agreement	706	1,281	575	81.6%
Non-current assets held for sale	13,445	804	(12,641)	(94%)
Hedging derivatives	46	78	(74)	98.7%
Investments in associates and jointly controlled entities	42	319	276	652.5%
Intangible and tangible assets	869	828	(41)	(4.7%)
Current tax assets	129	55	(74)	(57.3%)
Deferred tax assets	1,375	1,425	50	3.6%
Other assets	4,225	4,474	249	5.9%
Total Assets	**113,495**	**100,152**	**(13,343)**	**(11.8%)**
LIABILITIES				
Central banks and credit institutions' resources	9,735	6,002	(3,733)	(38.3%)
Customer resources	67,843	71,134	3,291	4.9%
Financial liabilities	1,645	2,121	476	29.0%
Debt liabilities	8,791	7,174	(1,617)	(18.4%)
Non-current liabilities held for sale	11,591	2	(11,589)	(100.0%)
Provisions	881	842	(40)	(4.5%)
Subordinated liabilities	2,524	2,428	(96)	(3.8%)
Other liabilities	3,810	3,956	147	3.9%
Sub total	106,819	93,659	(13,160)	(12.3%)
Shareholders´equity	6,676	6,493	(183)	(2.7%)
Total	**113,495**	**100,152**	**(113,343)**	**(11.8%)**

(*)The 2013 consolidated values have been restated, following the implementation of IFRS 10 that led to the inclusion in the consolidation perimeter, by the full integration method, of IMOBCI (Mozambique), Fundimo and Fundiestamo.

The Group's consolidated net assets were down 11.8 per cent. by €13,343 million to €100,152 million at the end of 2014, over the preceding December. This expressive reduction particularly derived from the sale of 80 per cent. of the capital of the Group's insurance businesses.

Albeit at a slower rate than in the preceding year, loans and advances to customers were also down 3.3 per cent. (gross) and 4.5 per cent. (net).

These were not across-the-board decreases in the different sectors of activity but reflected the significant reduction of credit to the state's business sector following a strong flow of early repayments as opposed to a greater dynamism in credit flows to non-financial private corporations, excluding construction and real estate activities.

The following table shows the Consolidated Net Assets of the principal companies in the CGD Group, excluding inter-company balances, as of the 31 of December for each of the years set out:

CGD GROUP	As at 31 December			
(€ million)	2013		2014	
	Value	%	Value	%
Caixa Geral de Depósitos [1]	73,899	65.1	71,574	71.5
Caixa Seguros e Saúde	12,771	11.3	271	0.3
Banco Caixa Geral (Spain)	4,874	4.6	4,202	4.2
BNU-Banco Nacional Ultramarino, SA (Macao)	3,236	2.9	3,263	2.9
Caixa – Banco de Investimento	1,732	1.5	1,760	1.8
Caixa Leasing and Factoring	2,333	2.1	2,219	2.2
Banco Comercial e de Investimentos (Mozambique)	1,929	1.7	2,279	2.3
Banco Comercial Atlântico (Cape Verde)	628	0.6	670	0.7
Mercantile Lisbon Bank Holdings	519	0.5	624	0.6
BCG (Banco Totta Angola)	1,318	1.2	1,824	1.8
Other companies [2]	10,229	9.0	10,297	10.3
Consolidated net assets	113,495	100.0	100,152	100.0

(1) Individual Activit

(2) Includes units registered according to the equity accounting method

The main source of the Group's Net Assets was the activity of CGD with 71.5 per cent. of the total (65.1 per cent. in 2013), Other Companies with 10.3 per cent., Banco Caixa Geral in Spain with 4.4 per cent., BNU (Macao) with 4.2 per cent, Banco commercial de Investimento (Mozambique) with 2.3 per cent and Caixa Leasing and Factoring with 2.2 per cent..

The sale of the insurance operation was also reflected in the evolution of liabilities, which were down 12.3 per cent. over December 2013. Another contributory factor was the reduction of borrowing from the European Central Bank (down €3.2 million) in addition with early repayment of €3.6 billion in state-backed own debt.

This was offset, however, by customer resources that, in a context of a low interest rates environment, recorded a positive annual change of 4.9 per cent. by €3,291 million to €71,134 million, in December 2014.

The loans-to-deposits ratio at the end of 2014 was 94.5 per cent. against 103.6 per cent. in the end of 2013, deriving from the effect of the decline in net credit and growth in the value of deposits.

The credit overdue more than 90 days ratio was 7.1 per cent., having stabilized in comparison to the 7.2 per cent. in September 2014, in spite of being higher than the preceding year's ratio of 6.1 per cent.. The respective impairment cover was increased from 99.9 per cent. in December 2013 to 102.3 per cent. in December 2014.

The credit at risk ratio, calculated in conformity with Bank of Portugal criteria, was 12.2 per cent. (11.3 per cent. at the end of 2013). Reference should be made to the penalising effect of the reduction of the average portfolio balance on these indicators.

The value of securities investments (including assets with repurchase agreements) was up 2.8 per cent. by €527 million.

Loans and advances to corporates were down 3.2 per cent. since the start of the year. Special reference should be made by sectors of activity to transport and warehousing (down 37.0 per cent. by €664 million) and construction and real estate (down 4.9 per cent. by €576 million).

The balance on construction loans has been consistently declining as a result of Caixa's support for the active disclosure of information on building completions and buildings brought to market at www.imoveisparceiroscaixa.pt, together with preference terms for loans to customers potentially interested in purchasing a new home on the basis of a bank loan.

New mortgage lending operations in Portugal were up 16.4 per cent. over the preceding year to €539.2 million. The volume of repayments and settlements was higher than the volume of new operations, resulting in a 4.1 per cent. reduction of the amount of portfolio credit.

Resources

CGD continued to rank first in its market share of deposits in Portugal, particularly individual customers with 32.4 per cent. in November 2014.

Resources raised by the Group as a whole (excluding the interbank market) increased 4.1 per cent. in comparison to the previous year, totalling €108,027 million. Also off-balance sheet resources, registered a favourable evolution, increasing 10.9 per cent. over the end of December 2013, totalling €27,291 million at the end of 2014, reflecting the positive performance of pension funds which were up 28.7 per cent., wealth management activity and investment units in unit trust investment funds were up 9.7 per cent. and 6.1 per cent. respectively.

Customer resources were up 4.9 per cent. by €3,291 million over the preceding year to €71,134 million.

Customer deposits grew 4.6 per cent. over the preceding year, with special reference to the 6.8 per cent. increase of the domestic market to €58,861 million.

By segment, approximately €49,061 million constituted deposits and savings accounts, representing 69.4 per cent. of total customer deposits.

The international branch continued to have a substantial contribution to total savings obtained by the Group with deposits increasing 5.3 per cent. over the end of 2013 to €15,321 million. Geographically, reference should be made to the CGD business units in Asia, Africa and Spain, together with France.

CGD maintained its market share of customer deposits (28.6 per cent. in November 2014), in Portugal. Reference should be made to the fact that in addition to the 32.4 per cent. market share of individual customers' deposits, the emigrants' segment's share totalled 40.7 per cent. and the corporate segment's share was up from 11.5 per cent. in December 2013 to 12.6 per cent..

Debt securities, down 18.4 per cent. when compared to the end of 2013 stood at €7,174 billion, particularly translating the 42.3 per cent. reduction in bond issuance under the EMTN Programme. Outstanding covered bonds increased 20.2 per cent. by €769 million owing to the €750 million issuance of covered bonds with a maturity of 5 years at the start of the year.

Subordinated liabilities CGD fund itself with €2,428 million, down 3.8 per cent. when compared with the value in December 2013.

Credit

CGD's level of involvement in backing the investment projects of Portuguese companies continued to be highly comprehensive (micro, SME and large enterprises) translating into funding of €1,843 million for new medium and long term operations.

In an environment of still weak but slowly recovering demand, new loans to companies, albeit rising (up 5 per cent. over the preceding year), have still not reached the level of portfolio repayments leading to an across the year 6.3 per cent. reduction of the respective balance. It should, however, be noted that an expressive contribution to this reduction was made by the early payment flows on credit operations from the state's corporate sector as the non-financial private corporate sector (excluding construction and property activities), is starting to show signs of greater dynamism.

Notwithstanding the aggressiveness of the major banks operating in this segment in Portugal, CGD had a 17.8 per cent. share of corporate credit in November (18.1 per cent. at the end of 2013). There was a positive change of 3.0 p.p. in the referred to market share, between December 2008 and the said date.

In consolidated terms, loans and advances to customers (before impairment and including assets with repo agreements) were down 2.3 per cent. by €1,745 million to €72,785 million between December 2013 and the end of 2014. CGD Portugal accounted for €55,669 million euros and the group's remaining business units for €17,114 million, respectively accounting for 76 per cent. and 24 per cent. of the loans and advances to customer's total.

The banks in Africa posted growth of 25.6 per cent. in their loans and advances to customers (gross) to €3,023 million in 2014. Special reference should be made to BCI in Mozambique which posted a 31 per cent. increase of €351 million over December 2013 and to Macau, where loans made by BNU were up by a 47.6 per cent. year-on-year €733 million.

CGD's 21.4 per cent. market share of loans and advances to customers in November 2014, was slightly down over the end of 2013.

Loans and advances to corporates were down 3.2 per cent.. Special reference should be made by sectors of activity to transport and warehousing (down 37.0 per cent. by €664 million) and construction and real estate (down 4.9 per cent. by €576 million).

The balance on construction loans has been consistently declining as a result of Caixa's support for the active disclosure of information on building completions and buildings brought to market at www.imoveisparceiroscaixa.pt, together with preference terms for loans to customers potentially interested in purchasing a new home on the basis of a bank loan.

The loans and advances to customers balance was down 2.9 per cent. by €1.1 million at the end of the year to €36.6 billion, originating from housing (down 4.5 per cent.).

New mortgage lending operations in Portugal were up 16.4 per cent. over the preceding year to €539.2 million. The volume of repayments and settlements was higher than the volume of new operations, resulting in a 4.1 per cent. reduction of the amount of portfolio credit.

Liquidity

CGD's continued to have a liquid situation, in 2014, as expressed in the consistent decline in resources obtained from the ECB, in which CGD's liabilities to the ECB were down €3.2 billion over the preceding year to €1.5 billion at the end of the year. On a CGD Group level, total resources obtained from the ECB also reflected this reduction from €6.3 billion at the end of 2013 to €3.1 billion in December 2014.

In December, CGD decided to substitute a part of this financing by new Targeted Longer-Term Refinancing Operations (TLTROs), created by the ECB to boost the credit market.

CGD's liquidity situation also enabled it, based on a cost reduction approach, to make an early repayment of the remaining €3.6 billion in state-backed bonds in its portfolio.

Management of the available assets pool allocated to operations with the Eurosystem, on a CGD Group level, led to a decline in its respective value to €12 billion in December, against more than €17 billion at the end of 2013. It should, however, be noted that the value of the available (i.e. unused) assets, remained relatively stable at €9 billion at the end of 2014. This amount is substantially in excess of the amount of the whole of the outstanding debt placed in the institutional market.

There was a substantial decrease in the own debt balance during the course of the year, with the maturity of two public issuances for more than €2 billion, including the repayment of all bonds on the public sector.

In January 2015, with the aim of strengthening its financing capacity to the Portuguese economy, CGD returned to the markets with a €1 billion covered bonds issuance with a maturity of 7 years. Investors' interest in these securities were clearly visible in the order books, with an increase in the participation of traditionally more demanding and selective investor segments having been noted. Such good results made it possible to pay a final coupon rate of 1 per cent., representing a historically low level for bonds issued by a Portuguese entity with this maturity.

Solvency

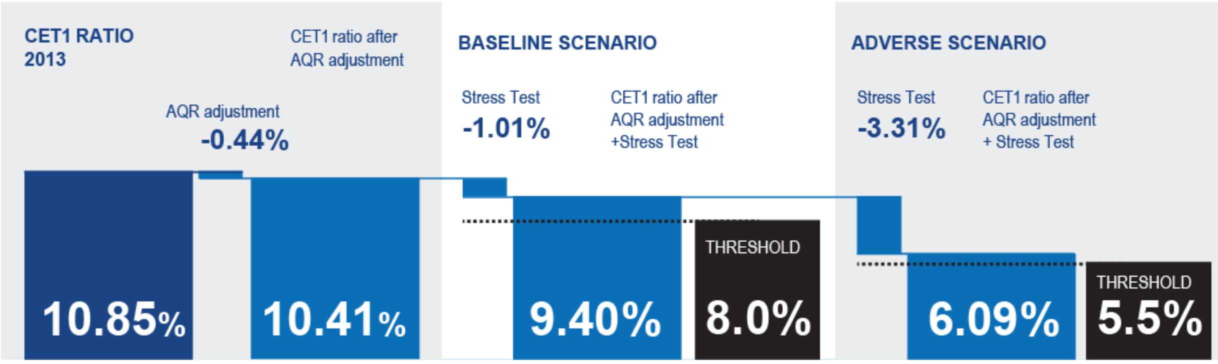
Shareholders' equity totalled €6,492.8 million at the end of December 2014, down by a slight 2.7 per cent. over the preceding year and particularly influenced by the evolution of "Other reserves and retained earnings".

The Common Equity Tier 1 (CET 1) ratios, in consolidated basis, calculated in accordance with CRD IV / CRR "phased-in" and "fully implemented" rules, were 10.9 per cent. and 9.8 per cent., respectively, against 10.9 per cent. and 7.6 per cent. on 1 January 2014.

Considering the Special Regime applicable to DTA – Deferred Tax Assets, the referred to ratios would be 11.1 per cent. ("**phased-in**") and 10.2 per cent. ("**fully implemented**").

CGD completed the European Central Bank's (ECB's) Comprehensive Assessment on 130 European banks, whose results were announced on 26 October 2014 and included the Asset Quality Review (AQR) and Stress Test, which considers a very stringent asset valuation criteria, in addition to the effects of a hypothetical new sovereign debt crisis scenario.

Comprehensive assessment results:



The projection for the CGD's CET1 (transitional dispositions) ratio, in 2016, was 9.40 per cent. for the base and 6.09 per cent. for the adverse scenario, i.e. in both cases higher than the minimum thresholds of 8 per cent. for the baseline scenario and 5.5 per cent. for the adverse scenario established in the exercise.

The following table sets out the capital position of CGD and the CGD Group as at January and December 2014, respectively, with their risk-weighted assets and Tier 1 capital ratio being calculated in accordance with the requirements of the Bank of Portugal:

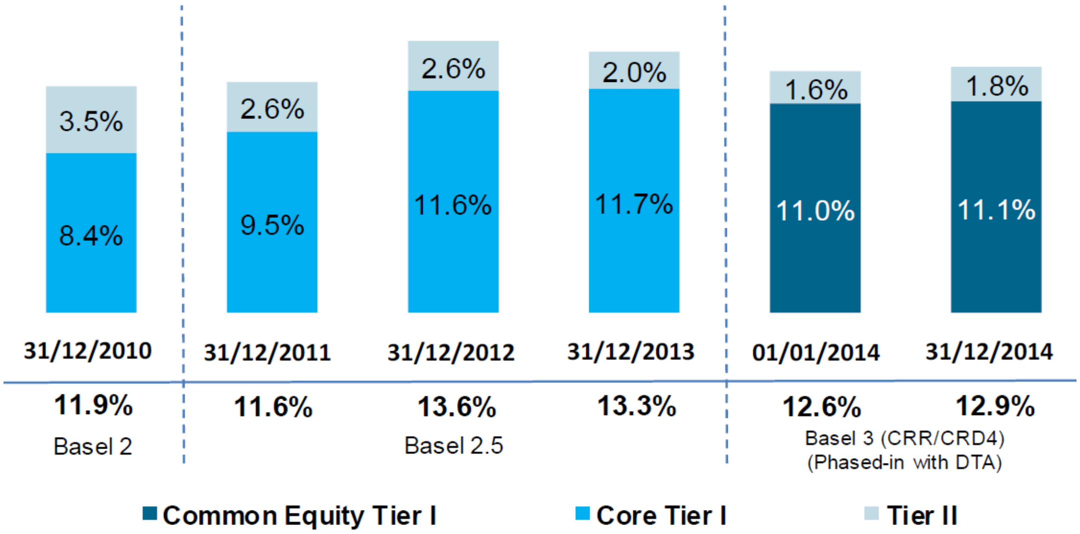
Solvency Ratios[(a)]

Phased-in	CRD IV / CRR Regulation		Applying DTA Special Regime
	Jan 2014	Dec. 2014	Dec. 2014
Own Funds			
Common equity tier I(CET I)	6,933	6,674	6,674
Tier I	6,933	6,674	6,674
Tier II	974	1,108	1,108
Total	7,709	7,782	7,782
Weighted assets	63,869	61,077	60,173
Solvency Ratios			
CET I	10.9%	10.9%	11.1%
Tier I	10.9%	10.9%	11.1%
Total	12.4%	12.7%	12.9%

Fully Implemented	CRD IV / CRR Regulation		Applying DTA Special Regime
	Jan 2014	Dec. 2014	Dec. 2014
Common equity tier I(CET I)	4,818	5,998	6,114
Weighted assets	62,979	60,952	60,212
CET I ratio	7.6%	9.8%	10.2%

(a) Including results for period

Solvency ratios:



Income and Profit Ratios

CGD's consolidated negative net income of €348 million in 2014, was an improvement of around 40 per cent. on the preceding year's negative net income of €578.9 million.

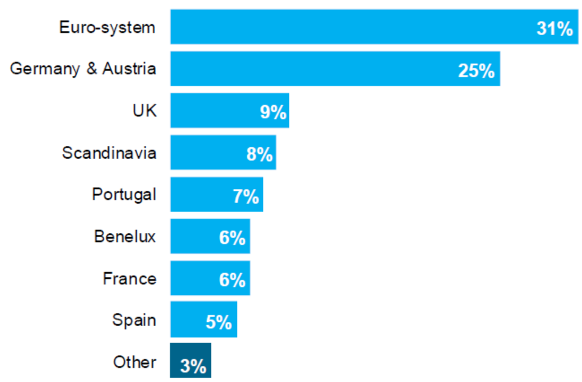
Gross operating income was up by around 32 per cent. to €410.8 million with special reference to the contributions made by international activity and investment banking which were up 59 per cent. and 40.1 per cent. in the year respectively.

In 2014 CGD successfully disposed of 80 per cent. of its insurance operation in another important stage of its strategy of concentrating on its banking activity. With this operation the requirements for 2014 as set out in the Economic and Financial Assistance Plan were met in full and the provisions of the Restructuring Plan agreed by the Portuguese state and the European competition authorities were complied with. The disposal resulted in a 0.74 p.p. phased-in and 2.33 p.p. fully implemented growth of CET 1.

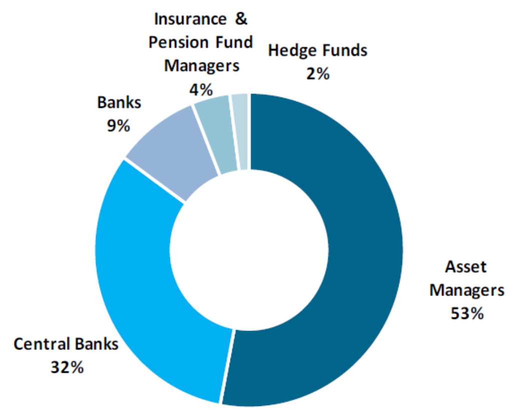
In October 2014 CGD completed the European Central Bank's (ECB's) comprehensive assessment.

CGD returned to the market in 2015 with a covered bonds issuance of €1 billion and a maturity of 7 years with a spread of 64 bp over the mid-swaps rate (1 per cent. coupon). This operation follows two other covered bonds issuances, one in January 2014 and one in January 2013, with a maturity of 5 years for the amount of €750 million, which achieved spreads of 188 bp and 285 bp on the mid-swaps rate, respectively.

ALLOCATION BY GEOGRAPHY



ALLOCATION BY TYPE OF INVESTOR



Following positive levels of profitability in the first three quarters of 2014, CGD's results for the whole year of 2014 registered a negative amount of €348 million. This result, albeit negative, represents a year-on-year improvement of around 40% (negative net income of €578.9 million as of 2013).

The improved profitability was, however, negatively affected by unforeseen factors which have penalized CGD`s results in the second and third quarters, related to the recognition of impairment costs on the exposure to Espírito Santo Group (GES) - € 171 million -, the net impact of the cancellation of deferred taxes deriving from the reduction of the Corporate Income tax rate (IRC) - €85 million - and the strengthening of individual provisioning on several customers with more relevant exposure in the context of the stress test exercise impact on Asset Quality Review (AQR), conducted by the ECB, which took place in articulation with Bank of Portugal (BoP), the Joint Supervisory Team (JST) and the external auditor - € 336.1 million in the whole year of 2014, of which € 180 million in the Fourth Quarter.

Reference should be made to the recovery of net interest income which recorded a year-on-year growth of 15.7 per cent. (net interest income) and 12.4 per cent. (net interest income including income from equity instruments).

Active net interest income management, in a context of a continuous decline of Euribor rates, effectively comprises an important instrument for laying the groundwork for CGD's convergence to a sustained trajectory of profitability.

This approach is visible in the case of borrowing operations. In addition, reference should be made to the marked contribution made by the repricing of interest on a relevant part of the deposits portfolio.

Interest rates on lending operations continued to reflect the evolution of financial markets in an environment of an improved perception of country risk.

Income of €49.6 million from equity instruments, down €19.4 million over 2013, translated the impact of the disposal of Portugal Telecom shares in 2013.

Net commissions were 0.3 per cent. up over 2013 to €515.0 million.

By type, commissions from international activity (up 11.1 per cent. by €14.4 million) and asset management (up 16.2 per cent. by €4.3 million) should be highlighted.

The performance of results from financial operations remained highly positive, totalled €201.7 million. The gains achieved in 2014 essentially reflected the good performance of regular trading and asset portfolio management activities, taking advantage of their respective appreciation, particularly in respect of the Portuguese public debt component.

As a result of the above described evolution, net operating income from banking was up 1.4 per cent. over 2013 to €1,738.4 million.

Cost control and operational rationalisation have been crucially strategic thrusts to achieve the objective of optimising efficiency. As a corollary to this policy, operating costs trended to negative across the year to a year-on-year decrease of 5.4 per cent. in December 2014. Special mention should be made to the 8 per cent. reduction of €63.4 million in employee costs over the preceding year, of which around €40 million from the operation in Spain.

The improvement in the cost-to-income ratio from 81.6 per cent. in December 2013 to 75.5 per cent. in December 2014, reflected both the 1.4 per cent. increase in net operating income and the already referred to reduction of structural costs.

The combination of these factors as a whole took the form of an expressive increase in gross operating income (€410.8 million) which was up 31.8 per cent. over the end of 2013. Reference should be made to the performance of international activity and, albeit to a lesser extent, investment banking, which contributions increased 59.0 per cent. and 40.1 per cent., respectively.

Provisions and impairment were down 15.6 per cent. in 2014 against the preceding year to €949.6 million. Credit impairment, net of reversals was 4.4 per cent. up over 2013 to €854.1 million and impairment on other assets was down from €309.5 million in 2013 to €158.3 million in 2014.

The cost of credit risk was 1.18 per cent. in December 2014, against 1.06 per cent. in December 2013.

The increase of impairment costs, in 2014, owing to the exposure to GES, conditioned the Group's consolidated net income to a negative amount of €348.0 million. This translated into an improvement of around 40 per cent. in the Group's profitability (negative net income of €578.9 million, in 2013).

Risk Management

In the CGD Group, risk management is based on a governance model complying with best practice as set out in Community Directive 2013/36/EU. The Board of Directors, with the support of the risk committee, establishes Caixa's risk appetite, which is implemented by the executive committee with the support of several specific committees and control and business areas.

Risk management encompasses the assessment and control of the Group's credit, market and liquidity risks, based on the principle of the separation of functions between the commercial and risk areas. The risk management area is part of the support structure and is present:

- ✓ At meetings of the Executive Committee (EC) on a request basis and monthly with its own agenda on the evolution and outlook of the main risk indicators;
- ✓ In the general risk committee (CGRI) in conjunction with the planning, accounting, control and audit areas. CGRI is an advisory body to the executive committee and is responsible for the control of the internal risk management function and main risk indicators. CGRI's main competencies include:
    - ➢ The integrated oversight and assessment of the internal risk function;
    - ➢ Defining operating plans and overseeing their implementation after approval;

- ➢ Reviewing processes and models for monitoring and managing risk exposures, as well as conformity with regulatory requirements;
- ➢ Guaranteeing the conformity of CGD Group's main risk exposures with defined concentration and limits.

In the Assets and Liabilities Management Committee (ALCO), in conjunction with business generating areas and with members of the executive committee. Under the terms of an executive committee resolution, the committee was, inter alia, given the following responsibilities:

- ➢ The promotion of the Assets and Liabilities Management (ALM) process and actions and procedures necessary for the implementation thereof in consolidated terms and on a separate basis for diverse Group entities;
- ➢ The preparation of proposals for strategic guidelines on CGD Group's financing and liquidity policy;
- ➢ The preparation of proposals for strategic guidelines on the risk management policy, mainly on the Group's interest rate, balance sheet and market risk defining indicators, limits and management rules;
- ➢ The preparation of proposals for strategic guidelines on CGD Group's capital ratios.

- ✓ In the expanded Credit Board and in conjunction with the business generation areas, the legal area, the credit recovery area and the executive committee. Under the terms of an executive committee resolution, the board was, inter alia, given the following responsibilities:
  - ➢ Authorisation of operations, which being part of the internal regulatory framework requires the board's assessment;
  - ➢ Analysis of non-performing loans;
  - ➢ Definition of the credit policies strategy and respective risk.
- ✓ In the credit supervision delegate board (CDAC) in conjunction with business generating areas (including the property business), specialised oversight, accounting and planning and control areas. CDAC is the executive committee body responsible for the assessment, discussion and resolution on the attribution of levels of credit impairment on CGD Group customers as well as guaranteeing the correct articulation of responsibility in the treatment of customers at risk between CGD's commercial structures and the areas specialising in credit oversight and recovery.

Risk Profile and Respective Evolution

CGD Group's risk appetite was comprehensively reviewed in 2014, and its public version may be viewed in detail at:

https://www.cgd.pt/English/Investor-Relations/Investor-Information/Risk-Management/Documents/CGD-Risk-Appetite-Statement.pdf

Principles and Policies

The CGD Group's risk profile preserves the following principles:

- ✓ Solvency principle − commitment to maintain an adequate level of capital to enable a retail/commercial bank to provide for unexpected losses, including an adverse scenario;
- ✓ Profitability principle − commitment to provide an adequate return on risk-taking;
- ✓ Liquidity principle − commitment to maintain a stable financial structure and a sufficient liquidity

level to ensure survival in adverse scenarios;

- ✓ Sustainability principle − strategic concern to ensure sustainable activity in line with the desired image, reputation and social contribution.

Main Developments in 2014

As anticipated, 2014 was a particularly challenging year for the banking sector:

- ✓ The first quarter saw the inception of the effective application of Directive 2013/36/EU and Regulation (EU) no. 575/2013, comprising the transposition of the Basel III Capital Accord into European Union legislation;
- ✓ Work began on the reporting of all OTC (over-the-counter) and ETD (exchange-traded derivatives) in the sphere of the European Market Infrastructure Regulation (EMIR) including information on guarantees and valuations;
- ✓ The start of the second quarter saw the first regulatory and financial reports under COREP (Common Reporting) and FINREP (Financial Reporting) standard prudential disclosure requirements;
- ✓ At the start of November, the ECB assumed the supervision of around 130 credit institutions in 18 member states, including CGD, taking another step towards banking union following the implementation of the single supervisory mechanism - SSM.

In preparation for the inception of the single supervisory mechanism and across the year as a whole, the ECB, in articulation with the EBA and National Competent Authorities — NCA (in the Portuguese case, the Bank of Portugal), organised a comprehensive assessment on the status of banks coming under its direct supervision starting November 2014.

The exercise comprised three elements. The first comprised a risk assessment for supervision purposes, on a quantitative and qualitative assessment of credit institutions' main risks, including liquidity, leverage and funding.

The second consisted of an analysis of the quality of bank assets, as performed in the Portuguese banking sector between 2011 and 2013. This second analysis element aimed to increase transparency regarding the banks' exposures to asset quality, including the adequacy of their asset valuations and collateral assets and related provisions.

Lastly, a stress test was performed in the scenario of a significantly adverse macroeconomic environment, particularly as regards the situation of the banks revised on the basis of the results of former stages. CGD passed the three assessment stages.

There was an internal reorganisation of the credit risk division (DGR) with the creation of the follow-up and credit policies area with the main responsibilities of overseeing credit operations, assessing credit impairment and updating and disclosing information on policies and credit regulations in force, as a CDAC support structure. It also implements the corporative articulation model between DGR and group entities as regards the credit risk control component.

A models validation unit, independent from the modelling area was also created as part of DGR's internal reorganisation, to ensure a continuous follow up of the performance of the risk models used in CGD Group.

Credit Risk

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

During 2014 CGD continued to improve its credit risk rating process in articulation with the Bank of Portugal (essentially operational), committing to cement compliance with the requirements for the use of internal models for calculating prudential own funds requirements for credit risk (using an Internal Ratings Based approach).

Following the Asset Quality Review − AQR, on the banks, in the sphere of the ECB's comprehensive assessment of the banks due to come under its direct supervision and in conformity with the guidelines received from the European supervisor, the assessment methodologies on separate impairment in line with the criteria set out in the Bank of Portugal's circular letter 2/2014/DSP were revised and updated, and their respective results included in the consolidated accounts at 31 December 2014.

The credit monitoring delegate board (CDAC), as stated above, was also formalised in 2014.

Methodology

Risk analysis – The Group has been implementing a system of identification, valuation and control of the risk of its loan portfolio, covering all customer segments and being pro-active when granting credit and in monitoring risk throughout the life of operations.

- ✓ In the case of corporates with a high level of exposure and financial institutions, the assessment of credit risk, besides the support of internal rating models (incorporating both financial information and elements of a qualitative nature), is subject to individual assessment by a team of analysts, who prepare reports analysing credit risk and issue an independent opinion on the inherent credit risk. This analysis is done on a periodic basis and whenever there are changes in the relationship with the client and endogenous and/or exogenous factors that recommend a reassessment of risk are identified.
- ✓ In the retail sector, the assessment of credit risk is supported by the use of statistical tools for risk assessment (rating and scoring models based on PD – probability of default and LGD – loss given default models) for a set of internal regulations that establish objective criteria to be followed in lending, as well as a delegation of responsibilities based on the credit ratings assigned to customers/operations.

The Impairment Credit Model – This model was developed by the CGD Group under the scope of IAS 39 and allows for the identification and monitoring of loans with objective evidence of impairment and the credits showing evidence of impairment.

The risk factors used in the model of credit impairment are revised annually, thus, adjusting the impairment analysis to the effects of current market conditions that had not been seen before. Using the credit impairment model, we can analyse and process the loan portfolio, which is subdivided in accordance with the following approaches:

- ✓ Collective analysis of impairments – for the exposures individually considered as not significant, the impairment provisions for sub segments of risk are calculated for assets with similar risk characteristics (credit segment, type of collateral, history of payment behaviour, amongst others); and,
- ✓ Individual impairment analysis – for clients with exposures considered significant, an assessment

which involves the commercial areas of CGD, the recovery credit area and the credit risk management area is made individually, on a quarterly basis.

The individual evaluation of clients with the most significant exposures is focused mainly on the following criteria:

- ✓ Compliance with contractual terms agreed with the CGD Group;
- ✓ Assessment of the economic-financial situation;
- ✓ Forecast changes in client activity;
- ✓ Verification of the existence of operations involving overdue credit and interest within the CGD Group and/or the financial system;
- ✓ Adequacy of guarantees and collateral to offset the amount of the loan; and
- ✓ Analysis of historical information on the behaviour and timely payment of customers.

For significant exposures in which there are no objective signs of impairment, a collective provision is determined (IBNR – incurred but not reported), in conformity with the risk factors determined for loans with similar characteristics.

Limits – In order to support the process of credit analysis, the CGD Group has developed and implemented a methodology for attributing credit limits (a model which defines limits of exposure) for short-term business, with parameters defined on the basis of economic-financial indicators and risk levels (sectorial and ratings), making it possible to estimate the recommended short term risk exposure to each client. The model allows the use of a single set of clear and objective rules for calculating the reference levels which are only indicative and will be used as a basis for calculating the referred limits, which will subsequently be the object of analysis on an individual basis for validation. This model is applied to companies both in the SME segment as well as small businesses and major companies.

Risk assessment associated with lending to financial institutions is based on internally established limits. These internal limits are defined taking into consideration the entity's financial sector in comparison to its peers, its rating, value at risk, as well as other qualitative factors. Compliance with the limits, the credit exposure and risk profile parameters of counterparties and groups are monitored regularly by analysts. Under the scope of this monitoring exercise, in 2014 the economic groups were classified in the respective credit risk portfolios.

Credit Risk Control – The credit portfolio is regularly monitored in terms of its composition and quality. The analysis includes the splitting up of the portfolio by product, customer segmentation, level of exposure, operating sector and geographical area, loan to value (LTV), debt to income rate and portfolio rating is produced for this purpose. Follow-up work on the performance of the internal development of risk classification models is also particularly important. This exercise, which processes the information from the use of these models, provides indications of their continued adequacy, guidelines on eventual re-estimation of needs and information on type of use.

In 2014, the corporate oversight division ("**DAE**"), which was created in 2012, intensified its focus on its competencies and priority objectives:

During 2014, the recognition of initiating a new approach for the corporate sector, aiming at differentiating the treatment of non-performing loans the DAE - created in 2012 - pursued its mission with the main following objectives:

To supervise and recover loans to companies and their respective groups, having an involvement of more than €5 million with CGD, with impairment of 10 per cent. or more or notwithstanding the amount of impairment, when belonging to activity sectors at risk (e.g. construction/property development, hotels/tourism);

- ✓ To deleverage large amounts of exposure and activity sectors considered to be at risk;
- ✓ To increase guarantees;
- ✓ To promote management solutions with companies with the objective of making them solvent, avoiding, whenever possible, legal action;
- ✓ To promote the articulation between DAE and other Caixa divisions, incentivising greater procedural flexibility with the objective of achieving the implementation of a consensus for each case.

DAE's commercial structure comprises:

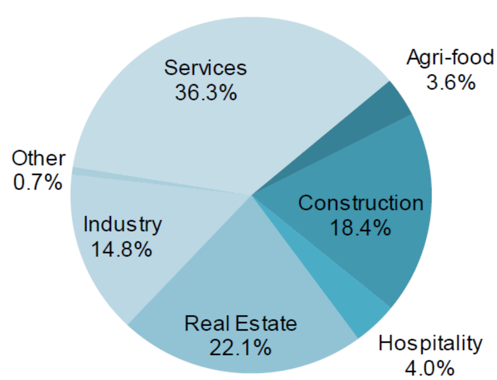
- ✓ Three offices – two in Lisbon and one in Porto – based on a geographical proximity approach to customers and incorporation of the Portuguese business environment's regional specificities;
- ✓ An administrative support area for controlling the allocation of case files, auditing their respective documentary support and computer records, operationalising the current management aspect of the customers' portfolio and helping to formalise the solutions found;
- ✓ A technical office monitoring the division's performance and operating as a mediator in terms of institutional relations with business restructuring funds (as relevant vehicles for corporate recovery purposes and representing a growing proportion of the economy, promoting the oversight and control of the evolution of portfolios in which CGD has a participation and centralising the issue of reports helping the division's management of the structural body.

At the end of 2014 DAE managed a credit portfolio of around €4.3 million and a volume of deposits of €35 million, split up across a total number of 1,069 companies, many of which members of 147 economic groups, with impairment of around €1,246 million or 28 per cent. of the credit portfolio.

The year 2014 reinforced the trend towards risk dispersion across activity sectors other than those initially identified in the model approved by DAE - hotels, construction and property (which, in December 2013 accounted for 46 per cent. and fell to 44 per cent. in 2014) – increasing the relevance of other sectors, namely services (36.3 per cent.) and industry (14.8 per cent.), which, as a whole, already account for a preponderant proportion of the portfolio under consideration (51.2 per cent.).

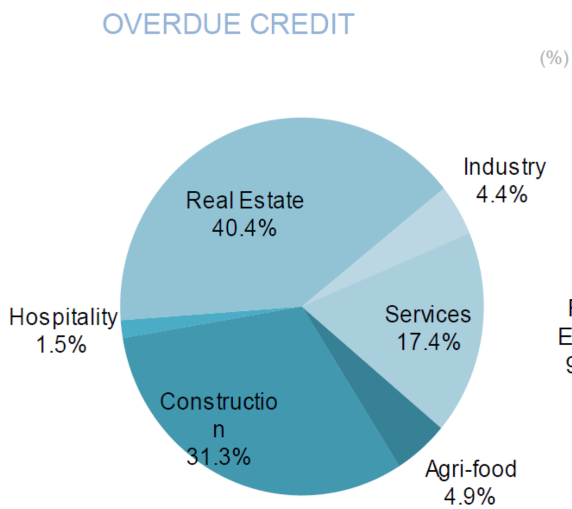
PORTFOLIO ASSESSMENT BY SECTORS OF ACTIVITY

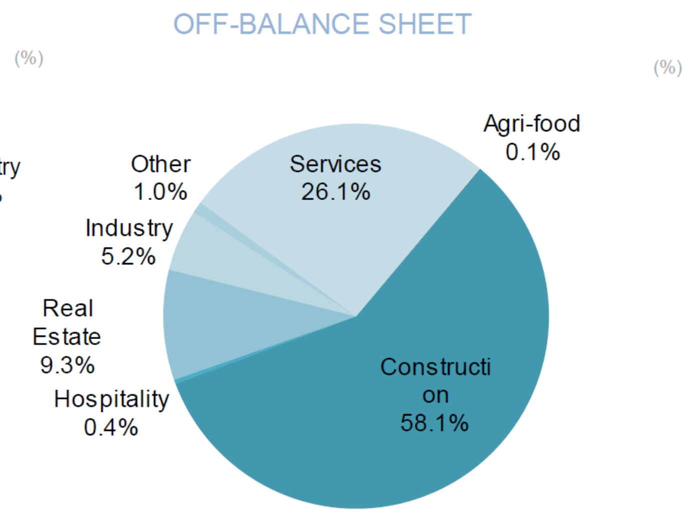
(%)



Regardless of portfolio diversification, the activity sectors initially considered to be at greater risk still account for 73.2 per cent. of the division's total overdue credit (€815 million in - 761 active customers), identical to 2013.

In continuing to endeavour to cancel or reduce bank guarantees on activity sectors of greater risk, the off-balance sheet liabilities of companies overseen by DAE which belong to the "services" sector already represent more than 26 per cent. of the portfolio's bank guarantees.





Circa 73 per cent. of the 147 corporate groups allocated to DAE in 2014, received proposals for the formalisation of operations (108 case files), comprising €553 million when coming under the aegis of DAE. Special reference should be made, by amount, to €317 million in restructured operations (57 per cent.). A reduction of €151.5 million in customer liabilities was also achieved on the basis of respective settlements/liquidations.

Trending to market, asset assignment operations to recovery and property funds encompassing 7 corporate groups involving credit of €81.5 million were negotiated in 2014.

Reference should also be made to DAE's active, growing participation in the negotiations of corporates applying to PERs ("**special rehousing programmes**"), with 28 applications having been analysed during the year, of which 3 resulted in insolvencies with the prospect of liquidation (representing around €4.2 million). 15 case files totalling €58.7 million were successfully concluded. Nine additional PER applications were received in 2014.

Regulatory Capital Requirements – for derivatives instruments, repos operations, loans contracted for or issued on securities or property or goods, long term settlement operations and loan operations with the imposition of a margin, the mark-to-market assessment method is used as defined in Section 3 of chapter 6 of European Parliament and Council Regulation 575/2013 which consists of adding to the operation's market value, when positive, its future valuation potential, resulting from the multiplication of the notional amount by a prudential factor based on the type of contract. The standard method described in Regulation (EU) is applied to loans and receivables.

The "Market Discipline 2014" document, which have already been published, provides further detailed information on regulatory requirements for CGD Group's capital.

Stress tests aim to provide an analytical vision of CGD Group's position in terms of solvency when subject to extreme scenarios. From a credit risk viewpoint, in 2014, in addition to sensitivity analyses for internal management purposes, stress tests required by the supervisor to complement the capital funding plan and the exercise requested by the European Central Bank, in articulation with the European Banking Authority (EBA), were carried out in the sphere of the comprehensive assessment preceding the effective inception of the single supervisory mechanism (SSM).

Internal Capital Requirements per operation result from the use of credit risk factors (probabilities of default - PDs, loss given defaults – LGDs and conversion factors into credit equivalents - CCFs) estimated internally.

Market Risk

Market risk can give rise to potential negative impact on the results or capital of the institution arising from adverse movements in asset prices in the portfolio compared with the level at which they are traded in the market.

There is market risk in instruments such as shares, funds, commercial paper, bonds, deposits/loans, foreign exchange spot and forward, interest rate derivatives, exchange rate derivatives, on shares/indices/baskets, on commodities and credit. Exposure to this type of risk is thus transversal to several risk categories: price, interest rate, exchange rate volatility and commodities, notwithstanding the above, there is also room for innovation and market monitoring in products where the CGD Group has market exposure. Execution of market transactions and associated risk control are completely segregated.

Limits

Establishing and monitoring limits is of extreme importance for market risk mitigation. These limits are submitted to the Executive Committee by the Risk Department for discussion and approval. The management rules established for each portfolio or business unit include limits on market risk and further limits on the types of instruments allowed and maximum allowable levels of losses, amongst others. There are specific rules for the risk management of foreign exchange positions of the units in the CGD Group.

Market risk hedging operations are decided by portfolio managers or business units, taking into account risk limits and authorised instruments in which the risk manager area collaborates in assessing the impact of total risk hedges incurred or the alteration of authorised risk under the circumstances.

Values and limits of the foreign exchange position of the CGD Group are calculated in terms of value at risk ("**VaR**"), as well as total open position and open position by currency.

Methodology

Since 2002, the risk measure used by the Risk Department to monitor the market risk is VaR, being the limits of market risk based on this measure, and in several cases, supplemented with other market risk measures, such as sensitivity limits to risk factors variation: basis point value, interest rate and other sensitivity indicators commonly applied to share portfolios of options (also known as Greeks). VaR is calculated for all types of market risk (interest rate, equities, exchange rates and volatility), using the historical simulation method, whose confidence levels are contingent upon the reasons for holding the portfolio. CGD also develops stress-testing assessments on the impact of the results of change in risk factors for extreme scenarios.

The Risk Department carries out daily calculations and monitoring of these measures, having conceived a comprehensive reporting structure of VaR, analysis of sensitivity, profitability indicators, performance and stress testing limits for all entities with exposure to market risk in the trading portfolios and exchange rate risk in the balance sheet.

Monitoring and evaluation of foreign exchange risk for domestic operations and for each of the subsidiaries and affiliates are carried out on a daily basis, and every two weeks for the consolidated Group.

Daily theoretical and real VaR measurement back testing analysis are performed, with the calculation of theoretical back testing values and the monthly calculation of real back testing values. The number of exceptions obtained, i.e. the number of times that theoretical or real losses exceed VaR, enable the method's accuracy to be assessed and any necessary adjustments made.

Interest Rate Risk in the Balance Sheet

This is the risk incurred by an institution whenever it contracts operations with future cash flows sensitive to eventual changes in interest rates or, in other words, the risk associated with the mismatching of maturities due to a decrease or increase in the interest rate of assets and liabilities held, decreasing their return or increasing their financial cost.

Methodology

To measure this type of risk, the methodology used by CGD comprises the aggregation by time bands of all of its assets and liabilities sensitive to interest rate changes, in accordance with the respective re-pricing dates. The respective cash inflows and outflows are calculated for such periods to obtain the corresponding interest rate risk gap.

The analysis of the interest rate risk dimension involves a monthly calculation of the duration of sensitive assets and liabilities, in addition to the respective duration gap. This is used to measure the mismatch level between the average time in which cash inflows are generated and cash outflows are required.

To accompany the effect of interest rate gaps on net interest income a quarterly simulation is made on the monthly evolution of sensitive assets and liabilities in addition to the different market rates and expectations reflected in the yield curves, in articulation with the group’s capital funding plan and its respective budget.

The management and control of balance sheet and banking portfolio interest rate risk are based on a set of guidelines which include the fixing of limits for variables considered significant on a level of exposure to this type of risk. The objective in complying with these guidelines is to ensure that CGD has the means of managing the risk/return trade-off, in balance sheet management terms and is in a position to define the most adequate level of exposure and control the results of the different risk policies and positions assumed at any time.

The collection of supporting information for measuring and monitoring balance sheet and banking portfolio interest rate is considered monthly by the executive committee dealing with risk in addition to ALCO meetings.

In a context of regulatory reporting commitments on interest rate risk, CGD sends detailed information on its level of interest rate risk exposure on its banking portfolio to the Bank of Portugal, every six months, as set out in Bank of Portugal Instruction (*Instrução*) 19/2005, as amended.

INTEREST RATE GAP AT 31 OF DECEMBER 2014 (*)

(EUR million)

	7D	1M	3M	6M	12M	3Y	>3Y
Total assets	4,652	14,196	26,861	19,097	7,578	1,742	4,360
Total liabilities + capital	2,985	8,833	14,069	16,197	10,034	23,939	4,883
Total interest rate swaps	4,378	74	-1,360	-1,100	-1,094	182	-1,386
Gap for period	6,044	5,436	11,432	1,800	-3,550	-22,015	-1,909
Accumulated gap	6,044	11,481	22,913	24,713	21,163	-852	-2,760

(*) Perimeter: CGD and Cayman Islands, Macau, New York, France, London and Spain branches and Banco Caixa Geral, Caixa Banco de Investimento, CGD Finance, Caixa Geral Finance and CGD North America.

Liquidity Risk

Liquidity risk refers to a situation where the possibility of an occurrence of a time-lag or mismatch between payment inflows and outflows renders the bank unable to satisfy its commitments. This involves a risk in which an institution's reserves and cash assets are not sufficient to honour its obligations at the time of occurrence.

Liquidity risk in the banking business area can occur in the event of:

- ✓ Difficulties in funding, normally leading to higher costs of funding but also implying a restriction on the growth of assets; and,
- ✓ Difficulties in meeting obligations to third parties, in due time, caused by significant mismatches between residual periods on assets and liabilities.

LIQUIDITY GAP AT 31 OF DECEMBER 2014 (*)

(EUR million)

	1M	3M	6M	12M	3Y	5Y	10Y	>10Y
Total assets	16,329	4,163	4,768	3,651	9,922	9,320	11,039	21,269
Total liabilities + capital	5,040	6,082	5,132	10,402	22,969	11,821	5,136	14,357
Total swaps	0	1	3	7	6	6	24	-5
Gap for period	11,288	-1,919	-361	-6,745	-13,041	-2,495	5,927	6,907
Accumulated gap	11,288	9,370	9,009	2,264	-10,777	-13,272	-7,346	-439

(*) Perimeter: CGD and Cayman Islands, Macau, New York, France, London and Spain branches and Banco Caixa Geral, Caixa Banco de Investimento, CGD Finance, Caixa Geral Finance and CGD North America.

Methodology

Liquidity risk management employs an analysis of the periods to maturity of different balance sheet assets and liabilities. The volumes of cash inflows and cash outflows, and respective liquidity gaps are calculated for each of the different time bands considered, both in terms of the respective periods and its accumulated effect.

The structural liquidity concept is used for analysis purposes which, according to studies and models developed internally and based on the behaviour of depositors, translates the distribution of sight and term deposits by the different bands considered.

Liquidity gaps are calculated monthly and compliance is measured in three limits (two short-term and one long-term) fixed by ALCO.

Balance Sheet Liquidity Risk

Liquidity gaps are calculated monthly and are subject to compliance with three exposure limits (two short and one long term) defined by the ALCO committee.

Liquidity risk management also incorporates quarterly stress test exercises in articulation with the current liquidity contingency plan, in line with the disclosure of the principles and recommendations of the Basel Committee on Banking Supervision – BCBS - and Committee of European Banking Supervisors – CEBS -, currently EBA.

The methodology developed internally for the assessment of CGD's resilience to liquidity difficulties involves the measuring and monitoring of the "survival period" (period of time up to the occurrence of liquidity difficulties if corrective measures have not been applied beforehand), in light of three stress scenarios in the finance markets. A fourth scenario is also considered – base scenario – which assumes that CGD will perform its activities in line with its budget and consequent funding plan.

The current model also encompasses a series of limits for the survival periods defined for each of the referred scenarios. Any non-compliance with any of the existing limits assumes the implementation of the contingency measures provided for in the contingency plan for CGD's liquidity in accordance with levels of priority therein defined regarding the use of different financing instruments.

With the implementation of CRD IV (Capital Requirements Directive) in 2014, the EBA defined a set of new accounting (FINREP - Financial Reporting) and prudential (COREP - Common Reporting) reports with the objective of harmonising and guaranteeing the comparability of information in the European context, namely prudential liquidity reports on a level of the new minimum standards set out in Basel III – the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR). Accordingly, CGD's regular oversight of the referred to ratios, since 2010 now also includes a regular prudential dimension in 2014, monthly for the LCR and quarterly for the NSFR.

Also in the context of its regulatory liquidity risk reporting commitments, Caixa continued to comply with the conditions set out in Bank of Portugal Instruction 13/2009, which includes a collection of detailed, permanent information on credit institutions' liquidity levels, including their forecast treasury planning over a one year timeframe.

Notwithstanding the problems noted in the money and capital markets since 2008, 2014 saw a growing trend towards the stabilisation of levels of confidence in the financial system, already felt in 2013, providing Caixa with a more favourable funding environment. Over the course of the year, Caixa furthered a resource-taking policy which endeavoured to guarantee a sustainable funding structure for its activity, based on the characteristics of liquidity and period to maturity of its off-balance-sheet assets and exposures.

Objectives for 2015

The year of 2015 has been a particularly challenging year for CGD Group (and European banking in general), owing to a series of structural changes on bank activity. The following are particularly important to CGD:

- ✓ The final implementation stage of the transversal structuring project to improve the whole of the credit follow-up and recovery process is expected to be completed and will, inter alia, enable the resolution of issues deriving from the special assessment programme (SAP) on distressed loans management assessments;
- ✓ An across-the-board implementation to CGD Group of new default definitions (to ensure conformity with the Capital Requirements Directive IV and the Capital Requirements Regulation and Non Performing Exposure (as in the EBA's Final Draft Implementing Technical Standards On

Supervisory Reporting on Forbearance and Non-Performing Exposures document) under Article 99(4) of Regulation (EU) 575/2013);

- ✓ Inception of the application of the internal standard which makes it compulsory for the credit risk division to issue a credit risk opinion, for institutional investors, whose exposure to CGD Group is higher than certain defined limits, as in the case of companies, financial institutions and economic groups. Similarly, institutional investors will be included in the process for the definition of internal short term (up to 18 months) limits;
- ✓ Notwithstanding the implementation, at the end of 2013 of a credit valuation adjustment (CVA) and debt valuation adjustment (DVA) accounting assessment, as a challenge set out in the Asset Quality Review which proved to generate satisfactory results, this model has been gradually improved in order to optimize its use;
- ✓ Development of the Internal Liquidity Adequacy Assessment Process (ILAAP), as a systemised process for the identification, measurement and monitoring of the group's liquidity situation under article 86 of CRD IV.

This is complemented by the internal challenge of concluding the process for the authorisation of the use of the internal models approach for the calculation of capital requirements for credit risk, with the implementation of any recommendations resulting from ECB's sponsored inspection continuing to be a priority.

Improvements to the internal capital adequacy assessment process (ICAAP) for risk aggregation and the production of stress test exercises will also continue to be introduced.

The aim is, lastly, to continue to evolve the whole of the risk management support structure based on the governance model which was revised in 2013, in line with the CRD IV and best sector practice. The best corporative governance practices will also continue to be the subject of special dynamics, with major emphasis on the continuous development of the group's vision and the implementation of mechanisms for its consolidation.

Operational Risk

The operational risk management within the CGD Group is based on analysis by processes (end-to-end) supported by a set of guidelines, methodologies and regulations recognised as good practice.

Alignment with the approach recommended by the Basel Commission, by having adopted the operational risk definition (such as the risk of losses resulting from inadequacies or procedural faults or caused by persons and information systems or due to external events).

Internal control methodologies proposed by Committee of Sponsoring Organisations of Treadway Commission and Control Objectives (COSO) for Information and Related Technology and underlying approach to the Risk Assessment Model implemented by the Bank of Portugal.

The CGD Group has adopted, on a consolidated basis, the standard method in the calculation of own funds requirements. This calculation method also includes, on an individual basis, Caixa Banco de Investimento, Caixa Leasing and Factoring, Mercantile Bank (South Africa) and in Banco Caixa Geral (Spain), which will be subject to the eligibility criteria applicable to the preferred method on a separate basis.

According to the Standard Method and on a consolidated basis, own funds requirement to hedge operating risk was €245.2 million as at 31 December 2014.

The methodology adopted by the CGD Group for operational risk management is integrated with the assessment of an internal control system and may be characterised by the following components distributed by the four stages of risk management:

- ✓ The definition and supervision of tolerance and risk appetite limits;
- ✓ Catalogue of Group Processes and documentation on the activities performed, potential operational risks, control and mitigating activities;
- ✓ A decentralised process for data collection on operational risk events, losses and recoveries, including near misses, reinforced and supported by control procedures, and communication activities that contribute to the integrity of the database;
- ✓ Self-assessment questionnaires on potential operational risk developed in line with a logical procedural approach targeted at people in charge of, and executors of, activities;
- ✓ Performance of control tests for design, implementation and operational purposes;
- ✓ Definition and monitoring of key risk indicators;
- ✓ Disclosure of information relating to operational risk, derived from the various components of the methodology, to the various intervenient in their management.
- ✓ Promotion and monitoring of the implementation of action plans as corollary of the other components of the methodology.

In the organisation, operational risk management and internal control are the responsibility of dedicated structures and functions:

- ✓ An Operational Risk and Internal Control Management Committee responsible for verifying conformity with operational risk and internal control strategies and policies, monitoring the management thereof and proposing action plans;
- ✓ An area exclusively dedicated to operational risk and internal control management, responsible for developing and implementing strategies and policies and ensuring that operational risk is being adequately managed and that the controls are operating efficiently, in co-operation with other departments, branches and subsidiaries to ensure harmonisation between practices on a level of Group entities;
- ✓ Process owners who are responsible for facilitating and promoting the operational risk and internal control process.

Other particularly relevant parties are the Executive Committee, Risk and General Risk Committee the Consultancy and Organisation Division (management of processes the Group`s processes catalogue and business continuity plan), Compliance Office (compliance risk management), Accounting, Consolidation and Financial Information Division (calculation of own funds requirements) and the Internal Audit Division (control tests).

Relevant roles are also played by the Security Committee for Electronic Channels (fraud committed on electronic channels) and the Safety, Risk and Continuity Management Division, Sogrupo Sistemas de Informação (SSI) Security (information systems risk management and assessment of internal control of information systems supported by the Cobit methodology.

The implementation of this methodology is set up within CGD and its branches, domestic subsidiaries (Caixa Gestão de Activos – the Group Asset Management unit – Caixa Banco de Investimento, Caixa Capital, Caixa Leasing e Factoring) and abroad, Banco Caixa Geral (Spain), Mercantile Bank (South Africa), Banco

Comercial do Atlântico (Cape Verde), Interatlântico Bank (Cape Verde) and Banco Nacional Ultramarino, (Macao), Banco Caixa Geral Brazil and Banco Comercial e de Investimentos (Mozambique) and Banco Caixa Geral Totta de Angola and CGD Investimentos – Corretora de Valores e Câmbios).

Apart from the methodology of operational risk management, and aiming to ensure continuous operation of the activity, CGD is implementing a Global Business Continuity Strategy based on two pillars: operational continuity and technological recovery.

The implementation of this system aims at insuring that business executed in a coordinated manner, including persons and processes which are critical to CGD's activity, in compliance with the procedures recommended for the business continuity management of the financial sector, approved by the National Council of Financial Supervision on the 9th of September 2010 (compliance with collection of requirements defined in the Bank of Portugal's circular letter 75/2010/DSB on Business Continuity Management for the financial sector) in addition to Regulation ISO 22301:2012 – Business Continuity Management System, the current international standard on this issue.

To guarantee the regulatory obligations of institutions which are parent companies of a financial group, CGD is developing performance/adaptation programmes within this framework practice of good contingency management for its foreign subsidiaries with a business continuous plan to develop in its Timor branch in 2015. This is currently being applied in Cape Verde (Banco Comercial do Atlântico and Banco Interatlântico and in Angola (Banco Caixa Totta de Angola). In addition, these programmes are also likely to be applied to the remaining foreign subsidiaries, namely France branch and Luxembourg.

Basel III

EU Regulation 575/2013 and Directive 2013/36/EU, of the European Parliament and Council, both of 26 June, applicable to all member states of the European Union, defined the prudential requirements for credit institutions and investment companies, namely more demanding capital requirements (redefining eligible items and including new deductions) and raised the minimum capital requirements based on the introduction of a mandatory capital conservation buffer and a discretionary anti-cyclical buffer and provided for a framework of new regulatory requirements on liquidity and deleveraging, as well as additional capital requirements for systemically important institutions.

The new regulatory requirements came into force on 1 January 2014 and provided for a series of transitional dispositions permitting the phasing in of the new requirements, with the possibility of maintaining or accelerating their implementation being conferred to the competent authorities in member states. The Bank of Portugal, consequently, issued Notice 6/2013 which regulates the transitional regime provided for in Regulation (EU) 575/2013, having established that the transitional implementation of own funds components will take place up to 2017, except for the impact of deferred tax assets which are contingent upon future returns whose schedule has been extended to 2023.

The following is a summary of the main changes:

- ✓ A significant increase in capital requirements, both quantitative (progressive increase of the common core tier 1 and tier 1 ratios, higher deductions from the main level 1 own funds (common core tier 1), creation of different capital buffers and qualitative (better quality of capital required, with the establishment of 13 criteria for the qualification of common core tier 1);
- ✓ Fixing of a minimum common core tier 1 ratio of 4.5 per cent., tier 1 of 6 per cent. and total ratio of 8 per cent;
- ✓ Introduction of additional capital requirements, through the accumulation of capital buffers, namely

a common core tier 1 capital conservation buffer of 2.5 per cent.;

- ✓ Introduction of EU liquidity ratio requirements starting 2015, following an initial observation period, based on minimum global liquidity standards, comprising both a short term LCR (liquidity coverage ratio) and a long term NSFR (net stable funding ratio). It has been estimated that the minimum limit for the two ratios will be 100 per cent.;
- ✓ The objective of LCR is to promote banks' short term resilience, ensuring that they have sufficient high quality liquid assets during situations of aggravated stress for a period of 30 days. The NSFR aims to promote long term resilience by creating incentives for the banks to fund their activities with stable resources on an ongoing basis;
- ✓ Introduction of the leverage ratio as a new regulatory and supervisory instrument. The proposed guidelines provide for the disclosure of information on this rating starting 1 January 2015. Based on the results of the observation period (between 1 January 2013 and 1 January 2017), the Basel Committee of Banking Supervisors intends to make definitive adjustments to the definition and calibration of the leverage ratio during the first half 2017 with the aim of migrating to a binding requirement from 1 January 2018 based on adequate re-examination and calibration.

The common equity tier 1 (CET 1) ratios as of June 2015, calculated in accordance with CRD IV / CRR fully implemented and phased-in rules, and considering the application of the special regime on deferred tax assets, totalled 9.8 per cent. and 11 per cent., respectively.

Comprehensive assessment

Between October 2013 and October 2014, the European Central Bank promoted a comprehensive assessment (Asset Quality Review and Stress Tests) of the 130 most relevant banks in the euro area for the preparation and implementation of the single supervisory mechanism which came into effect on 4 November 2014.

CGD participated and complied with the minimum (CET 1) ratio that was set at 8 per cent. for the base and 5.5 per cent. for the adverse scenarios, both in a transitional prudential regime.

Effectively, the asset quality exercise translated into an impact of 44 bp on the CET 1. The projected CET 1 ratio, in 2016, was 9.40 per cent. for the base and 6.09 per cent. for the adverse scenarios, i.e. in both cases higher than the established minimum thresholds.

Analysis of the Unaudited Accounts for the First Semester of 2015

Macroeconomic Environment and capital Markets in the First Half of 2015

The slowing rate of expansion of the world economy across 1st half 2015 was, in large measure, the result of the poor levels of performance in the first quarter of the year. That period was, as in the preceding year, affected by bad weather in the US in addition to moderation in the emerging bloc, namely Latin America and diverse Southeast Asian economies. The following quarter increased the level of concern over the strength of the global activity with economic indicators showing modest progress and only the euro area showing a more pronounced improvement in its economic data. Contributing to this was, once again, the impasse in the negotiations regarding Greece along with geopolitical uncertainties in the Middle East.

The annualised successive 0.2 per cent. contraction of GDP in the US was central to the disappointing consecutive growth of the world economy by only 1.7 per cent. in first quarter of 2015. In terms of geographical distribution, weakness continued to be widespread with a contraction of GDP in Brazil together with the feeblest growth of the last six years in China. Were it not for growth in Japan and the Euro Area, which was more favourable than in the same period last year, global growth would have been even lower.

At the start of the year, following the very diminutive or even negative changes in consumer prices in various regions, the partial reversal of oil prices in the international marketplace led to slightly higher inflation which, with very few instances, remained at very low levels with the absence of signs of any significant inflationary pressures.

Central banks remained determined, during the semester, in providing greater monetary stimulus in a context of very low inflationary pressures. These decisions not only involved a reduction of key reference rates, particularly, in emerging economies such as China, India and Russia, but also, based on non-conventional measures. Regarding the later, reference should be made to the decision by the European Central Bank (ECB) to expand its quantitative easing programme by adding purchases of sovereign bonds as well as debt of supranational European institutions with the aim of injecting liquidity amounting to €60 billion per month. The Bank of England and the US Fed have indicated that the next step should, in both cases, be to increase their respective key reference rates for the first time since 2006, which, in the case of the Fed may possibly occur during the course of this year. By way of contrast to the addition of monetary stimuli, the most notorious exception was, once again, Brazil, as in the preceding half year, owing to its needs to deal with accelerating inflation.

In the US, temporary factors such as bad weather and strikes at several ports on the country's western coast led to a slight contraction of GDP in the first quarter of the year. This was followed by modest recovery in the second quarter driven by the construction sector and particularly by private consumption which is undoubtedly associated with an improved labour market. The first half of 2015 continued to register discernible levels of job creation with employment closing the half at 5.3 per cent., the lowest level since May 2008.

Euro area GDP also posted its eighth consecutive quarter of expansion of which a major contribution came from domestic demand. In the first and the following quarter, business sentiment indicators continued to drift upwards to their highest level of the last four years. On a positive note, reference should also be made to the return to positive growth of lending, with the highest level of year-on-year change in May since the start of 2012. The year-on-year change in inflation was 0.4 p.p. higher than at the end of the preceding year by 0.2 per cent. albeit still much lower than the ECB's objective of 2.0 per cent..

In Portugal GDP grew 0.4 per cent. in the 1st quarter. This change with a year-on-year acceleration from 0.6 per cent. to 1.5 per cent. was identical to that of the preceding quarter. The recovery was led by domestic demand and latter published indicators continue to point towards to an upturn of activity. The profiles of both the economic climate and consumer confidence continued to show the improvement, in evidence since the end of 2012. The unemployment rate was down 0.4 p.p. over the end of last year to 13.2 per cent.. Following various negative observations, the inflation rate starting March, once again moved into positive territory with June corresponding to the second highest year-on-year level since mid-2013.

The Japanese economy, in the first quarter, also showed signs of a continuation of recovery from the negative impact of the VAT hike announced last year. GDP for the quarter was up 1.0 per cent. over the preceding quarter, following a marginal increase of 0.3 per cent. in the preceding period. Inflation fell far short of the objective of the central bank at 0.5 per cent. in May, down 1.9 p.p. over the end of the preceding year and its lowest level for two years.

In spite of a certain disappointment over the level of economic growth since the start of the year, the appetite for risk in the financial markets up to the start of the second quarter remained high and was accompanied by a decline of volatility which came close to the historically low levels of the last two years. The expansionary activity of the central banks continued to play a major role. The uncertainties generated by the situation in Greece and, in parallel, the marked adjustments to equities in China, at a time when not only China's economy but practically the whole of the emerging bloc continuously trended towards a cooling stage, helped to dampen the optimism of investors close to the time of the transition from the first to the second half of the year.

The expectation and latter addition of greater monetary stimuli to the Euro Area economy by the ECB, together with signs of fiscal consolidation, led to a context of low and falling 10 year yields in the first part of the first half year, sinking to new historical minimums, in March, since the joining of Portugal, Spain and Italy to Economic and Monetary Union whereas in the cases of Germany and France the respective yields sank to their lowest levels a month later in mid-April. Starting from the referred two dates and up to the end of the half year there was an across-the-board movement in rising yields, not only in Europe but also in the US. This reflected both higher expectations over long term inflation fuelled by the recovery of oil prices and stabilising inflation data and the consequence of the growing difficulty in the possibility of an agreement being reached between Greece and the international Institutions as a particularly constraining aspect on the evolution of yields on the periphery.

Notwithstanding the improvement of the indicators, both sentiment and the economic environment in the Euro Area, Euribor rates were down yet again across the half year, with the main maturities down to historic minimums. This performance derived from fears of deflation.

The trend towards a depreciating euro was a permanent factor across the first quarter of the year and was even more marked up to the time of the ECB's announcement of new expansionary measures for the region, in March. The euro, at the time in question, fell to $1,048 against the US dollar, i.e. its lowest level since the start of 2003.

The euro also depreciated against the US currency more than 13 per cent. in value in the first quarter. The price latterly stabilised in the 2nd quarter, as a consequence of the disclosure of more favourable euro area economic indicators in comparison to the US.

The main equities indices hit historic successive maximums in the middle of the half year, both in the US and Europe, posting their highest quarterly gains since 2009, in the 1st quarter. Up to this time, the addition of fresh monetary stimuli by the main central banks, accepting that in the case of the Fed, the first increase could take place only in 2016, announcements of corporate M&As in the US and the return to an environment of growth in the main European economies without having translated into a change of monetary policy by the ECB, were this market's key drivers. This appreciation trend was interrupted in May as the uncertainties over the situation in Greece accentuated and when strong adjustments to the equities market in China following a period of huge gains were witnessed.

Retail Banking - Branch Office Network in Portugal

The Branch Office Network in Portugal, at the end of the first half 2015, was made up of 760 Branches of which 695 were multi-services branches – "multipurpose agencies" - Universal Agencies (minus 25 when compared with the end of 2014) and 26 were Corporate Offices. Notwithstanding this reduction, CGD believes that the current network is adequate in Portugal and continues to focus on positive differentiation in terms of customers' profile and the commercial dynamics thus expanding its range of dedicated management services to more than 1 million individual customers and 40 thousand corporate customers.

By optimising its network domestically and abroad, CGD enjoys high rates of efficiency of its distribution network.

CGD offers 922 dedicated account managers for Caixa Azul, responsible for the supervising and personalised support of approximately 262 thousand individual customers, a personalised service for premium customers, available in 565 of the branch network.

The Caixa Mais service (personalised service for customers with high growth potential) in the first half provided specific services from 1,335 commercial assistants to approx. 642 thousand customers totalling 661 branches.

CGD's commercial dynamics in the corporate segment continued to focus on consolidating its Caixa Empresas service model underpinned by a personalised customer care and financial advisory service provided to SMEs by a proprietary network of 26 offices and 100 dedicated account managers and to self-employed businesspeople and micro-enterprises, with a team of 319 dedicated account managers and Caixa Empresas spaces at 688 CGD branch offices.

Distance channels, at the end of June comprised 4,562 items of self-service equipment to provide for customers' financial needs.

The Caixa e-banking channel, as a fundamental support for the current management needs of corporate and institutional customers, posted a year-on-year increase of 7.8 per cent. in "frequent use contracts" (3 months) and a 24 per cent. increase in operations (more than 22 billion). Its dynamics are based on the supply of new financial services with particular reference up to June of "foreign exchange trading" and "treasury management" functionalities:

- The foreign exchange trading functionality provides a structure for viewing foreign exchange rates and the performance of foreign exchange rate operations and is able to provide companies with the full support required for their foreign exchange strategy.
- The treasury management function enables companies to view their factoring and/or confirming agreements and manage all customer receipts and payments to suppliers, in real time, helping them to maintain a permanently balanced treasury function.

The Caixadirecta channel provides individual customers with access to their accounts online, by phone, mobile phones, sms messaging and an app for Windows 8, Android and iOS, based on their needs and convenience. Amounts were up 8 per cent. by value across the half year, in comparison to the same period 2014 accompanied by a positive 7.6 per cent. evolution of "frequent use contracts" (3 months).

Financial brokerage was particularly relevant in the 1st half with the "View prices in real time" functionality, making it possible, at any time, to monitor the evolution of securities prices on the Euronext market, bond trading operations and securities transfers.

A new Caixadirecta app for Windows Phones with which CGD has completed its presence on the main mobile platforms, complementing its already existing offer for Windows, has been provided.

Resources

CGD`s domestic market share of customer deposits continued to correspond to a representative number, achieving 28.3 per cent. as of June 2015. Reference should be made to individual customers' deposits with 31.6 per cent.

Total savings obtained from Individual customers increased by 4.5 per cent.. Special reference should be made to funds and financial insurance, up 16.6 per cent. and 21.6 per cent., respectively.

There was a positive evolution of the resources obtained from the branch network in Portugal, which translated into an increase of €2,499 million when compared to June 2014. Reference should be made to the positive evolution of deposits which grew 2.4 per cent. to € 57,760 million.

Total resources obtained by the Group, excluding the interbank market, increased 4.8 per cent when compared to the same period of the preceding year achieving an outstanding balance of € 109,045 million. Particular reference should be made to the 8.4 per cent. increase in off-balance sheet resources.

In the corporate segment, savings products grew 7.3 per cent in comparison with the same period of 2014, with particular reference to the 6.6 per cent. growth of deposits, 9.1 per cent. growth of financial insurance and 23.1 per cent. of investment funds.

Government deposits were up 19.6 per cent in June 2015 when compared to the same period of 2014 achieving a market share of 35.2 per cent in the First Half of 2015.

Not considering CoCo bonds and resources obtained from institutional investors, there was an increase of €5,243 million, representing a 5.5 per cent. increase in annual terms.

Customer deposits were up 4.6 per cent. year-on-year to €69,818 million.

The international area continued to make a highly favourable contribution to total resource-taking with a 14.5 per cent. increase in comparison to June 2014, to €15,876 million, with prominence on the CGD Group businesses in Asia, Africa and France.

In the first half 2015 there was a 8.4 per cent. increase of off-balance assets when compared to June 2014, achieving €28,207 million as a result of the responsiveness from individual customers in unit trust and pension investment funds.

The net amount of the 30 unit trust investment funds managed by Caixagest, invested in various international financial markets, has increased €273 million over the first six months of the year amounting €3,936 million at the end of June 2015. The money market, multi-asset, equity and alternative funds commercialized in collaboration with CGD’s branch office network had an important contribution to such a positive evolution.

The 27 property funds managed by Fundger amounted to €1,292 million at the end of June 2015. The open-ended Fundimo Fund continued to reduce its assets under management, although to a lesser extent than in the recent past, whereas the activity of closed-end funds, mainly allocated to property development and promotion have continued to slow.

The net worth of the funds managed by CGD Pensões at the end of June 2015 was up 5.4 per cent. over the start of the year to €3,343 million. This translated the high number of subscriptions to open-ended pension funds and the increase in contributions to closed-end funds.

Caixagest continued to develop its wealth management activity in proximity to CGD’s branch network and its own portfolio of customers. Proposals have been adjusted to the new environment with the aim of finding new customers. Portfolios under management at the end of June amounted to € 19,636 million.

Commissions earned from assets management for the first six months of 2015 achieved € 25.9 million, increasing 5.6 per cent. when compared to same period of the previous year. Reference should be made to the 10.7 per cent. increase of € 10.6 million in unit trust funds managed by Caixagest.

Resources Taken by the Group

				Change			
				June 2015 / 2014		Dec. 2015 / 2014	
	June 2014	Dec. 2014	June 2015	Total	(%)	Total	(%)
Balance Sheet	**78,021**	**80,737**	**80,838**	**2,817**	**3.6%**	**101**	**0.1%**
Retail	68,792	72,796	71,850	3,058	4.4%	(945)	(1.3%)
Customer Deposits	66,729	70,718	69,818	3,088	4.6%	(900)	(1.3%)
Other Customer Resources	2,603	2,078	2,032	(31)	(1.5%)	(45)	(2.2%)
Institutional Investors	8,328	7,041	8,088	(241)	(2.9%)	1,047	14.9%
EMTN	2,897	2,282	2,346	(551)	(19.0%)	64	2.8%
Mortgage Covered Bonds	4,558	4,579	5,557	999	21.9%	978	21.3%
Others	874	180	185	(689)	(78.8%)	5	2.8%
Portuguese State – Contingent Convertible (CoCo) bonds	900	900	900	0	0.0%	0	0.0%
Off-Balance Sheet	**26,022**	**27,291**	**28,207**	**2,185**	**8.4%**	**917**	**3.4%**
Investment Funds	3,615	3,663	3,936	321	8.9%	273	7.5%
Real Estate Investment Funds	1,410	1,327	1,292	(118)	(8.3%)	(35)	(2.7%)
Pension Funds	2,655	3,172	3,343	688	25.9%	172	5.4%
Wealth Management	18,342	19,129	19,636	1,293	7.1%	507	2.6%
Total	**104,043**	**108,027**	**109,045**	**5,002**	**4.8%**	**1,018**	**0.9%**
Total (exc. Inst. Inv. and Portuguese State)	**94,815**	**100,086**	**100,058**	**5,243**	**5.5%**	**(29)**	**0.0%**

Credit

The economic environment in Portugal and its main trading partners in the euro area conditioned corporate demand for credit. Despite such conditions, CGD's strategy of focusing on financing small and medium-sized enterprises has been effective, leading to increases of 17 per cent. in the Individuals and Business and 41 per cent. in Caixa Empresas Corporate Offices areas respectively, as of June 2015, when compared with the same period of the previous year. It is not possible yet to replace the amounts of credit amortizations, once there were significant reductions in loans outstanding of the biggest companies (minus 3.3 per cent. in comparison to outstanding in December 2014).

Reference should be made to the new loans and advances to corporate, to commerce, tourism and primary sector reflecting the growth of 37.1 per cent. of new loans to SME's in the first semester 2015 when compared to the previous semester.

Strengthening its role as an engine of the domestic economy, CGD implemented a series of actions designed to enhance its corporate offer in 1st half of 2015, launching various domestic and governmental credit lines, such as:

- Caixa 2020 – global solution of financing and technical follow-up to support the Portugal 2020 Programme;
- Linha BEI 2015 – aimed at supporting a broad range of projects with long maturities and price reductions in accordance with the commercial relationship;

- Caixa Comércio e Serviços – an integrated solution of banking products and services including Automatic Payment Terminals (TPAs).

The improvement in price conditions for corporate lending, considering risk levels and market conditions, the revision of benefits promoting commercial involvement helped strengthen the relationship between CGD and its customers, namely through the extension of strategic products.

In the case of campaigns targeted at companies, reference should be made to the "Iberian Offer", strengthening CGD's role as a bank which backs Portuguese companies doing business in Spain and the "Sectoral Offer" geared to the tourism, restaurants, commerce and service sectors.

Under the PME Investe ("**SME Invest**") credit line for SMEs, a total of €114.1 million new loans were contracted in the 1st half 2015 achieving a total portfolio of €1,431 million at the end of June 2015.

CGD has reached a 23.7 per cent. market share of PME Crescimento ("**SME Growth**") 2015 of credit line, ranking in 2nd place in the market for PME Crescimento 2014 lines with a market share of 17.9 per cent.. Reference should also be made to CGD's 51.5 per cent. market share in the Investe QREN ("*SRF - Strategic Reference Framework Investment*") credit line.

CGD is the market leader for the two PME Crescimento 2015/2014/Investe QREN lines with a market share of 21.8 per cent..

In a context of highly aggressive approach of the major banks operating in this segment in Portugal, CGD's market share of corporate loans was 18.1 per cent. in June 2015 against 18.1 per cent. at the end of 2014.

Reference should be made to the increase in the market share of corporate loans for maturities less than 1 year, from 17.9 per cent. in December 2014 to 18.5 per cent. in June 2015, evidencing CGD's support to the cash balance of Portuguese corporate clients. The market share for maturities over 5 years was 21.2 per cent. in the First Half of 2015.

In the individual customers segment, CGD has continued to develop initiatives designed to strengthen the competitiveness and value of its mortgage loans. Particular reference should be made to:

- The revision of its mortgage lending pricing system based on a revision of the parameters of the "Risk Adjusted Pricing Model" ensuring its adequacy to market conditions and risk levels;
- The improvement of the fixed rate offer providing customers with greater stability in terms of the amount of their instalments, protecting them from the impact of an eventual hike in the variable base rate.

The mortgage loans portfolio, in June 2015, amounted to €28,855 million, down 4 per cent. year-on-year. The aggregate amount of repayments and settlements, since 2011, has been higher than the amounts of new operations and has resulted in a gradual reduction of the amount of credit in the portfolio.

New mortgage loans have, accordingly, trended to growth across 2015, with accumulated production of €380 million in the first half of the year, representing a year-on-year increase of 58.5 per cent..

Around 23 per cent. of new mortgage loan operations comprise the acquisition of CGD Group's and Caixa Partners' properties for which advertising efforts and more favourable, differentiated financing conditions made a contribution.

The level of performance of the commercialisation of non-current assets held for sale has been growing, with a year-on-year change of 54 per cent. in the amount of sales registered in the 1st half. CGD's branch network has been playing an increasingly important role in the commercialisation of such properties, given the existence of complementarity between the properties' sales process and new mortgage lending operations.

Loans and advances to customers (gross) totalled €71,855 million at the end of June, a decrease of 1.7 per cent. of €1,205 million when compared with the same value in June 2014. Domestic operations were responsible for €54,478 million and the Group's remaining business areas achieved €17,377 million, representing 76 per cent. and 24 per cent. of total loans and advances to customers, respectively.

Loans and advances to customers [(a)]
(Consolidated)

€ million				Change			
				2015-06 vs 2014-06		2015-06 vs 2014-12	
	Jun-2014	Dec. 2014	Jun 2015	Total	(%)	Total	(%)
CGD´s operations in Portugal	56,680	55,670	54,478	(2,202)	(3.9%)	(1,192)	(2.2%)
Corporate	21,900	21,289	20,579	(1,322)	(6.0%)	(710)	(3.0%)
General Government	2,931	3,139	3,107	176	(6.0%)	(32)	(1.0%)
Institutional and Other	710	768	917	206	29.1%	148	19.3%
Individual Customers	31,138	30,474	29,876	(1,262)	(4.1%)	(598)	(2.0%)
Mortgage Loans	30,051	29,418	28,855	(1,196)	(4.0%)	(563)	(1.9%)
Other	1,087	1,056	1,021	(66)	(6.1%)	(35)	(3.3%)
Other CGD Group Companies	16,380	17,114	17,377	997	6.1%	262	1.5%
Total	**73,060**	**72,785**	**71,855**	**(1,205)**	**(1.7%)**	**(930)**	**(1.3%)**

(a) Before impairment and including loans with repurchase agreement.

Banks located in Africa achieved a yearly growth of 17.4 per cent. in loans and advances to customers (gross) totalling €2,929 million at the end of June 2015. Reference should be made to Mercantile and BCI Moçambique with growth levels of more than 25 per cent. and BNU Macau, in Asia, with an increase of €1,042 million in the half 2015, up 59.1 per cent.. In global terms, international operations increased their loans and advances to customers by 9 per cent. to €13,911 million in June 2015.

International Business

Caixa Group's performance in the international area in the first half was globally positive.

In the corporate area, CGD developed a series of initiatives and activities to integrate international business, with a view to maximising synergies to support the domestic and international branch office network.

These activities have enabled CGD to improve its knowledge and information sharing and have translated into a more dynamic approach to articulating and promoting international business, in the form of a global increase in the number of new customers.

Therefore Caixa in articulation with its foreign branches (in Spain, France, Angola, Brazil, Mozambique, South Africa, China/Macau), continues to strongly commit to an activity based on CGD Group's international platform for the development of relationships with "internationalised" companies in these markets to increase its foreign and particularly intra-Group trade.

Reference should also be made to the organisation of various business promotion and training actions, both in Portugal as in several of Caixa's priority markets for the purpose of helping to create business opportunities between customers.

In Europe, Spain is the automatic first choice for the internationalisation of Portuguese companies, with CGD Group having restructured its presence to improve its offer in Iberia, both as regards the availability of its branch office network in both countries and on a level of its offer of specific products and services.

Banco Caixa Geral (BCG) in Spain accomplished all of the objectives set out in the restructuring plan agreed between the Group and DGComp, with a staff complement of 519 employees and a network of 110 branch offices.

Realignment of its strategy and the streamlining of its network and employee complement enabled BCG to focus on backing Spanish and Portuguese companies operating in the Iberian and foreign markets in which CGD has a presence, translating into a 30 per cent. growth in lending. As a result of this focus BCG's total credit was up for the first time this half since 2010, by around 2.5 per cent.. Growth in the case of companies more than offset the reduction based on mortgage loans repayments.

The resilience of the deposits portfolio, in contrast to the trend towards decline noted in Spain across the first few months of the year, enabled the bank to maintain a loans-to-deposits ratio of 120 per cent..

The strategic focus of Banco Caixa Totta de Angola, S.A. (BCGTA), in Angola, continues to be the corporate segment, operating in close collaboration with other CGD Group banks and overseeing the business of CGD Group customers both in terms of its backing for investment in Angola and foreign trade promotion between Angola and the diverse geographies in which the Group operates.

In Mozambique, on June 2014 Banco Comercial e de Investimentos (BCI) carried out a capital increase to 6,808,799,060 meticais, by incorporation of reserves in the amount of 3,081,274,880 meticais and through the subscription of new shares in the amount of 727,524,180 meticais. CGD subscribed through Parbanca SGPS, S.A. in the pro rata of its share.

BCI is the bank with the highest recognition factor of Mozambique's main banks, both in the case of domestic and international entities, as follows:

1. PMR Africa: The Best Bank for Personal Customers and the Best Bank for Companies / Diamond Arrow Award, for the second consecutive year;
2. World Finance: Best Commercial Bank in Mozambique for the fifth consecutive year;
3. The African Banker: Best Commercial Bank in Southern Africa – 2015;
4. Global Banking & Finance Review: The Best Commercial Bank in Mozambique – 2015 and The Best Retail Bank in Mozambique – 2015, for the third consecutive year;
5. International Finance Magazine: The Best Commercial bank in Mozambique – 2015 for the first time;
6. Superbrand Mozambique 2015: for the third consecutive year and since its first edition.

BCI and BCGTA have also contributed to these countries' social and economic development through the work performed on behalf of the development of the economy, companies and households.

In Asia, reference should be made to BNU's active role in developing cross-border and intra-group business, promoting the visits of corporate delegations to Macau and encouraging meetings with potential local partners.

Reference should also be made, in the case of individual customers, to the importance of the residents abroad segment which is strategic for CGD on account of the proportion it represents of total individual customers' resources and its high growth potential owing to the current economic situation. To strengthen relationships with customers resident abroad, CGD has furthered an articulated, complementary policy between CGD's branch office network in Portugal and its branches and representative offices abroad and distance management models in the form of the Caixadirecta Internacional and Caixazul Internacional services (for wealthier customers).

CGD's individual customers resident abroad business in the period in question endeavoured both to take-in resources and improve the level of the global lending operations aggregate, thus making a favourable contribution to Caixa's results.

This business area is going through a particularly challenging period owing to the wave of emigration being witnessed in Portugal, characterised by a very young highly qualified people in search of opportunities or qualified workers who are relocating abroad via their corporate employers.

As regards the main activities across this period, reference should be made to the promotion of thematic campaigns targeted at this segment, taking advantage of the fact that many customers return to Portugal for their holidays and the Easter period.

Caixa Group's international area posted consolidated net income of around €44.7 million in the first half year, up €39.2 million over the same period of the preceding year.

International Activity Contribution to the Consolidated Net Income

(€million)

	June 2014	June 2015	Change
Banco Nacional Ultramarino (Macau)	19.5	28.5	9.0
France Branch	(25.2)	18.0	43.2
Banco Caixa Geral (Spain)	12.0	15.6	3.6
Banco Caixa Geral Totta Angola	7.4	10.6	3.2
Banco Comercial de Investimento (Mozambique)	6.4	8.6	2.3
Other	(14.5)	(36.6)	(22.1)
Total Internacional	**5.5**	**44.7**	**39.2**

For the geographies as a whole in which CGD operates, the branches posted a negative contribution of around €17.1 million to Caixa's consolidated net income, as opposed to the other entities which made a profit of €61.8 million.

The gross operating income of foreign subsidiaries and branches, on a consolidated basis, was positive and up 29.2 per cent. by €45.9 million year-on-year to €203.0 million in June 2015.

Reference should be made to the results achieved by several of CGD Group's main international operations which made a positive contribution to consolidated income from international operations. They include BNU Macau, with net income of €28.5 million, France branch with €18 million, BCG in Spain with €15.6 million and BCGTA in Angola, with net income of €10.6 million.

In turn, loans and advances to customers, net of impairment was up 9.1 per cent. over June 2014 to €13.9 billion. The large international branch office network has made a major contribution to the increase in resources taken and the Group's lesser reliance on external funding. Resource-taking was, accordingly, up by 14.8 per cent. to €16.1 billion. Consolidated net assets from the international area were up by a year-on-year 10.6 per cent. to €22 billion.

Investment Banking

Activity

Caixa Banco de Investimento's (CaixaBI's) activity in the 1st half of the year generated consolidated net operating income of €31.2 million. This would have been €33.9 million if adjusted for the negative impact of write offs in the derivatives portfolio.

The Bank's results (€0.7 million in 1st half) continued to be penalised by the current macroeconomic environment, affected by higher provisioning and impairment levels amounting to €16.9 million, plus €2.7 million in income from financial assets.

CaixaBI was involved in several emblematic deals, strengthening its leading position in terms of investment banking. The following are the main business area highlights.

Project finance

Reference should be made to two operations in this area: the completion of the project for the economic-financial rebalancing of the municipal public service concession for the supply of water to the municipality of Cascais – Águas de Cascais – which included an addendum to the loan contracts and completion of the restructuring operation on the financial liabilities of Tratolixo.

Structured finance

Reference should be made to the advisory services for structuring and putting together the reorganisation process on the financial liabilities of Promor Group and Marques Group, financial advisory services on the disposal of CGD – Spain Branch loans and participation as arranger in financing the acquisition of four blocks of equity shares comprising 30 per cent. of the share capital and voting rights in Brisa – Concessão Rodoviária, SGPS by several Portuguese-Brazilian investors.

Corporate finance – advisory

Reference should be made to the financial advisory services to Fidelidade (for its economic and financial valuation of Via Directa), Efacec (disposal of a 65.4 per cent. equity investment in Efacec Power Solutions), Ardian (acquisition of equity stakes in diverse Ascendi Group, SGPS, S.A. concessions) and José de Mello (disposal of a 30 per cent. equity stake in Brisa - Concessão Rodoviária).

Economic-financial valuations were also made on diverse CGD subsidiary/associated companies in the sphere of impairment and equity stakes analyses, as well as for economic-financial valuations of the subsidiary/associated companies Águas de Portugal and Caixa Leasing e Factoring for Parcaixa.

Debt capital market

The following operations were performed in the primary bond market:

- Republic of Portugal: joint lead manager and bookrunner for a Treasury bonds issuance maturing in 2025 (€3,500 million), new 10 year benchmark and the issuance of Treasury bonds maturing in 2045 (€2 billion) and issuance with the Republic's longest maturity. Co-lead manager for both tap issuances (€2 billion and €500 million, respectively).
- CGD: joint lead manager and book runner for a covered bonds issuance maturing in 2022 (€1 billion).

- REN: joint lead manager and bookrunner for a notes issuance maturing in 2025 (€300 million).
- NOS: joint lead manager and bookrunner for a bonds issuance maturing in 2022 (€150 million).
- EDP: joint lead manager and bookrunner for a bonds issuance maturing in 2025 (€750 million).
- Brisa: joint lead manager and bookrunner for a bonds issuance maturing in 2025 (€300 million euros).
- Altri/Celbi: organisation and lead of a bonds issuance maturing in 2021 (€35 million).
- Sonae: organisation and lead of a bonds issuance maturing in 2022 (€100 million).
- Mota-Engil: global coordination of a bonds issuance maturing in 2020 (€95 million), comprising a public subscription and public exchange offer.
- Bank of America: co-lead manager for the issuance of notes maturing in 2025 (€750 million).

CaixaBI also organised and led twelve new commercial paper programmes of which special reference should be made to the NOS (€100 million), Portucel (€100 million), Secil (€50 million), Altri/Celbi (€25 million), RAR/Colep (€23.5 million), Barraqueiro Group (€20 million) and Iberian Salads (€12.5 million) issuances.

Equity capital market

The Bank was the joint bookrunner for the disposal of a José de Mello Energia, S.A. equity investment in EDP using an accelerated bookbuilding process, in 1st quarter 2015. The disposal comprised a block of 73.2 million EDP shares for 2.0 per cent. of its share capital. This highly successful offer was oversubscribed and raised a total amount of approximately €249.0 million.

Brokerage

According to data published by CMVM for May 2015, CaixaBI/CGD brokered a volume of €1,300 million in the domestic equities market, comprising a market share of 9.1 per cent..

CaixaBI was also involved in the following market operations:

- José de Mello Energia: joint bookrunner in the accelerated bookbuilding process on 2 per cent. of the share capital of EDP;
- Other operations: ABB for 22.5 per cent. of Havas and the Ecolslops and ELTE IPOs.

Financing and structuring area

CaixaBI’s performance as a liquidity provider remained positive, with the Bank continuing to operate on a collection of NYSE Euronext Lisbon listed securities, with Euronext awarding CaixaBI its top “A” rating on all securities and categories. Reference should also be made to the Bank’s pioneering activity in the new segment created by Euronext to stimulate the liquidity of retail investors in the form of the Retail Matching Facility.

Syndication and sales

Reference should be made, in this area to CaixaBI’s participation in the above referred to issuances (debt capital market) of CGD, REN, NOS, EDP, Brisa, Bank of America and Republic of Portugal. In the latter case it also operated as a specialised securities trader in the private debt auctions occurring in the half year.

It also organised 91 commercial paper issuances comprising a volume of €1,075 million.

Venture capital

103 projects were assessed and 26 approved. The approved projects comprised a potential investment of approximately €89.1 million of which an amount of €8.1 million was invested.

Financial Analysis - Consolidated Operations

Results

When analysing first half results for 2015, one should consider that for comparability purposes, the amounts of net income and income before tax and non-controlling interests, have been adjusted to reflect the appropriation of 15 per cent. of the net income of Fidelidade and 20 per cent. of Cares and Multicare, which correspond to the equity percentages presently held by CGD Group, and the exclusion of the capital gains recognised on the disposal of the referred to insurance companies occurred in that period.

CGD returned to profit in 1st half 2015, with a consolidated net income attributable to its shareholder of €47,1 million, an increase of €216.4 million in comparison with the same period of 2014.

In an environment of a continuous reduction in interest rates and greater competition, CGD's consolidated net income before tax and non-controlling interests was up €324.2 million over 1st half 2014 to €213.5 million.

Notwithstanding the downwards trajectory of Euribor rates, active management of net interest income, particularly in terms of borrowing, resulted in a 12 per cent. year-on-year growth of €57.6 million in net interest income which benefited from a situation where the decline of funding costs was higher than the reduction in income from lending. Income from equity instruments was, in turn, up €15.2 million leading to a 14.3 per cent. increase in net income, including income from equity instruments.

Income from financial operations amounted to €302.0 million at the end of the 1st half, in comparison to €166.2 million for the same period of the preceding year, having benefited from the good performance of the public debt market in a context of markedly lower interest rates as well as adequate timing in respect of the management of CGD's securities portfolio.

Net commissions of €247.7 million were similar to, albeit slightly down year-on-year, by 1.5 per cent. over 2014.

Net operating income was up 25.8 per cent. over the 1st half 2014 to €1,154.2 million.

Operating costs were up 4.3 per cent. by €26.8 million year-on-year, notwithstanding CGD's efficiency optimisation and operational rationalisation policy. This performance particularly translated a 6.9 per cent. increase of €24.5 million in employee costs over the same period last year. Contributory factors were the marked fall in the discount rate on pensions liabilities and the expansionary dynamics of the Group's international operations, with an increase in the size of its branch office network and additional hiring, particularly in the case of BCI Moçambique (with an additional 32 branches between June 2014 and June 2015) and Banco Caixa Totta de Angola (additional 6 branches).

These two subsidiaries were also responsible for a contribution to the 2.1 per cent. growth of €4.5 million in external services and supplies.

Considering this evolution and benefiting from the growth of net operating income, the cost-to-income indicator was 54.9 per cent.. This was down over the 67.4 per cent. recorded in the same half 2014 and significantly more favourable than the ratio of 75.5 per cent. at the end of 2014.

Operating costs and Depreciation

€million	June 2014	June 2015	Change Total	Change (%)
Employee costs	352.5	377.0	24.5	6.9%
Other administrative expenses	219.0	223.5	4.5	2.1%
Depreciation and amortisation	54.1	52.0	(2.1)	(3.9%)
Total	**625.7**	**652.5**	**26.8**	**4.3%**

Gross operating income as a translation of all of the above referred to factors, was up 72.1 per cent. over the same period of the preceding year to €501.6 million for the half year. Special reference should be made to the highly positive performance of domestic commercial banking which contributed an amount of €270.5 million to consolidated gross operating income, comprising an increase of €176.2 million over the same period 2014. International operations accounted for 40.5 per cent. of the total.

Contribution to Gross Operating Income

€million	June 2014	June 2015	Change Total	Change (%)
Domestic commercial banking	94.2	270.5	176.2	187.0%
International activity	157.1	203.0	45.9	29.2%
Investment Banking	49.0	28.3	(20.7)	(42.3%)
Other	(8.8)	(0.2)	8.6	-
Gross operating income	**291.5**	**501.6**	**210.1**	**72.1%**

Provisions and impairment for the 1st half were down 23.6 per cent. by €99.2 million to €321.7 million in comparison to €420.9 million for the same period last year. The gradual improvement of the economic and financial environment accordingly enabled credit risk to be reduced to 0.66 per cent. in 1st half 2015, in comparison to 1.02 per cent. in the same half of the preceding year.

CGD's total tax for the 1st half came to €119.6 million. Contributory factors were the impact of the taxation on temporarily non-deductible provisions for credit and the extraordinary banking sector contribution of €30.9 million, leading to consolidated net income of €47.1 million, up €216.4 million over 1st half 2014.

Profit & Loss Account
(€thousand)

	Jun-2014	Jun-2015	Change Total	Change (%)
Interest and similar income	1,721,788	1,519,979	(201,808)	(11.7%)
Interest and similar costs	1,240,560	981,115	(259,445)	(20.9%)
Net interest income	481,227	538,864	57,637	12.0%
Income from equity instruments	27,987	43,188	15,202	54.3%
Net interest inc. incl. inc. from eq. investm.	**509,214**	**582,052**	**72,838**	**14.3%**
Income from services and commissions	323,410	311,869	(11,541)	(3.6%)
Costs of services and commissions	72,030	64,165	(7,865)	(10.9%)
Commissions (net)	251,380	247,703	(3,677)	(1.5%)
Income from financial operations	166,203	301,989	135,786	81.7%
Other net operating income	(9,555)	22,418	31,973	-
Non-interest income	**408,029**	**572,110**	**164,082**	**40.2%**
Net operating income	**917,243**	**1,154,163**	**236,920**	**25.8%**
Employee costs	352,542	377,023	24,481	6.9%
Other administrative expenses	219,036	223,536	4,501	2.1%
Depreciation and amortisation	54,121	51,984	(2,136)	(3.9%)
Operating costs and depreciation	625,698	652,543	26,845	4.3%
Gross operating income	**291,545**	**501,620**	**210,075**	**72.1%**
Provisions and impairment of other assets (net)	45,719	85,936	40,217	88.0%
Credit impairment net of reversals	375,138	235,762	(139,377)	(37.2%)
Provisions and impairment	**420,857**	**321,697**	**(99,160)**	**(23.6%)**
Income from subsidiaries held for sale	**287,254**	**(349)**	**(287,602)**	**(100.1%)**
Income from associated companies	**10,770**	**33,909**	**23,139**	**214.8%**
Inc. before tax and non-controlling interest	**168,711**	**213,483**	**44,772**	**26.5%**
Tax	**27,701**	**119,605**	**91,905**	**331.8%**
Current and deferred	(871)	88,739	89,611	-
Extraordinary contrib. on the banking sector	28,572	30,866	2,294	8.0%
Consolidated net income for period	**141,011**	**93,878**	**(47,133)**	**(33.4%)**
of which:				
Non-controlling interest	30,955	46,817	15,862	51.2%
Net income attrib. to CGD shareholder	**110,056**	**47,061**	**(62,995)**	**(57.2%)**

€ million

Note: The amounts for June 2014 have been restated to reflect the adoption of the interpretation of the IFRIC 21 of the International Financial Reporting Interpretations Committee. Accordingly, the accounts for the 1st half already reflect the full amount of costs for 2014, in respect of the banking sector extraordinary contribution and the contributions to the Deposit Guarantee Fund and Resolution Fund.

Profit Ratios	June 2014	Dec. 2014	June 2015
Gross return on shareholders' equity (ROE) (1)(2)	4.7%	(3.2%)	6.3%
Net return on shareholders' equity (ROE) (2)	3.9%	(3.6%)	2.7%
Gross return on assets (ROA) (1) (2)	0.3%	(0.2%)	0.4%
Net return on assets (ROA) (2)	0.3%	(0.3%)	0.2%
Net operating income / average net assets (1)	1.7%	1.7%	2.4%

(1)Calculated in accordance with Bank of Portugal Instruction 23/2012
(2)Considering average shareholders' equity and net assets values (13 observations)

Efficiency Ratios	June 2014	Dec. 2014	June 2015
Cost-to-Income (1)	67.4%	75.5%	54.9%
Employee costs/Net operating income (1)	38.0%	41.5%	31.7%
Operating Income/Average net assets	1.1%	1.3%	1.3%

(1)Calculated in accordance with Bank of Portugal Instruction 23/2012

The Group’s consolidated net assets, at the end of June 2015, were up 0.1 per cent. by €86 million over the end of the preceding year to €100,238 million, corresponding to a stabilisation of this value.

The customer loans portfolio, including loans with repo agreements, stood at €71,855 million (gross) and €66,639 (net). The year-on-year reduction of loan balances was 1.7 per cent. (gross) and 2.2 per cent. (net).

Securities investments, including assets with repo agreements and trading derivatives, were up 2.5 per cent. by €495 million over June 2014 to €19,951 million. This portfolio was up 2.0 per cent. by €389 million over the end of December 2014.

Total liabilities of €93,847 million rose slightly by 0.9 per cent. over June 2014.

Customer resources were up €3,116 million over 1st half 2014 (up 4.6 per cent.) to €70,242 million.

The deposits-to-loans ratio of 94.8 per cent. reflected a negative commercial gap of €3,613 million and evidences CGD’s retail resources-taking capacity.

Balance Sheet

Change

€ million

	2014-06	2014-06 *	2014-12	2015-06	2015-06 vs 2014-06* Total	2015-06 vs 2014-06* (%)	2015-06 vs 2014-12 Total	2015-06 vs 2014-12 (%)
Assets								
Cash and cash equivalents with central banks	1,166	1,166	2,118	1,903	737	63.2%	(215)	(10.1%)
Loans and advances to credit institutions	3,750	3,750	3,012	4,186	436	11.6%	1,174	39.0%
Loans and advances to customers	67,477	67,477	66,864	66,205	(1,273)	(1.9%)	(659)	(1.0%)
Securities investments	18,784	18,784	18,972	19,073	289	1.5%	101	0.5%
Assets with repurchase agreement	1,366	1,366	1,281	1,312	(54)	(3.9%)	31	2.4%
Non-current assets held for sale	737	741	804	838	97	13.1%	34	4.2%
Investm. in subsid. and associated companies	307	307	319	295	(12)	(4.1%)	(24)	(7.6%)
Intangible and tangible assets	838	838	828	818	(20)	(2.3%)	(10)	(1.2%)
Current tax assets	114	114	55	51	(63)	(55.2%)	(4)	(7.2%)
Deferred tax assets	1,361	1,363	1,425	1,461	98	7.2%	35	2.5%
Other assets	4,324	4,299	4,474	4,096	(203)	(4.7%)	(378)	(8.4%)
Total assets	**100,225**	**100,205**	**100,152**	**100,238**	**33**	**0.0%**	**86**	**0.1%**
Liabilities								
Central banks' and credit institutions' resources	8,435	8,435	6,002	6,019	(2,416)	(28.6%)	17	0.3%
Customer resources	67,126	67,126	71,134	70,242	3,116	4.6%	(892)	(1.3%)
Financial liabilities	1,779	1,779	2,121	1,794	15	0.9%	(327)	(15.4%)
Debt securities	8,369	8,369	7,174	8,170	(199)	(2.4%)	995	13.9%
Provisions	907	907	842	859	(48)	(5.3%)	18	2.1%
Subordinated liabilities	2,525	2,525	2,428	2,426	(99)	(3.9%)	(2)	(0.1%)
Other liabilities	3,874	3,874	3,958	4,337	462	11.9%	378	9.6%
Sub-total	**93,016**	**93,016**	**93,659**	**93,847**	**831**	**0.9%**	**188**	**0.2%**
Shareholders' equity	**7,209**	**7,189**	**6,493**	**6,391**	**(798)**	**(11.1%)**	**(102)**	**(1.6%)**
Total	**100,225**	**100,205**	**100,152**	**100,238**	**33**	**0.0%**	**86**	**0.1%**

(*) The amounts for June 2014 have been restated to reflect the adoption of the interpretation of the IFRIC 21 of the International Financial Reporting Interpretations Committee. So, the accounts for the 1st half already reflect the full amount of costs for 2014, in respect of the banking sector extraordinary contribution and contributions to the Deposit Guarantee Fund and Resolution Fund.

The credit overdue for more than 90 days ratio was 7.4 per cent.. It was higher than the preceding year's ratio of 7.0 per cent. and the 7.1 per cent. of December of the preceding year. The respective impairment coverage ratio in June 2015 was 99.1 per cent..

The credit at risk and restructured credit ratios, calculated according to Bank of Portugal criteria, were 12.4 per cent. and 10.1 per cent. respectively (12.2 per cent. and 10.6 per cent. at the end of 2014). Reference should be made to the penalising effect of the reduction of the portfolio balance on these indicators.

Asset Quality Ratios	June 2014	Dec. 2014	June 2015
Non-performing credit / total credit(1)	8.8%	8.9%	9.7%
Credit at risk / total credit(1)	11.9%	12.2%	12.4%
Overdue credit / total credit	7.6%	7.7%	7.9%
Overdue Credit 90 days / total credit	7.0%	7.1%	7.4%
Non-performing credit (net)/ total credit (net)(1)	2.2%	1.8%	2.6%
Credit at risk (net)/ total credit (net)	5.5%	5.3%	5.5%
Restructured credit / total credit(2)	10.0%	10.6%	10.1%
Rest. credit (not includ. credit at risk) / total credit	6.0%	6.3%	5.3%
Overdue credit cover	87.2%	91.8%	92.9%
Cover on credit overdue more than 90 days	95.2%	99.7%	99.1%
Credit impairment (P&L)/ Loans and advances to customers (average balance)	1.02%	1.18%	0.66%

(1) Calculated in accordance with Bank of Portugal Instruction 23/2012

(2)Calculated in accordance with Bank of Portugal Instruction 32/2013

Liquidity

During the first half of 2015, the ECB continued to implement a monetary policy intent on growth stimulus, including a quantitative easing programme in the amount of €60 billion per month, up to the end of September 2016 or long enough to achieve a sustained adjustment of the inflation trajectory consistent with the objective of a 2 per cent. limit in the medium term. These measures enabled the easing of financial conditions permitting better credit access to the small and medium-sized corporates.

In this context, CGD Group, taking advantage of favourable financing market conditions, replaced a part of its Eurosystem financing by new TLTROs (*Targeted Longer Term Refinancing Operations*). In light of the positive evolution of the commercial gap, the Group also reduced resources obtained from the ECB to €2.9 billion at the end of June against €3.1 billion at the end of December 2014. Considering CGD's individual activity, the financing obtained was down to €1.25 billion at the end of June (a reduction of €250 million in comparison to December 2014), fully comprising these longer term operations (TLTROs).

The market stability in conjunction with the improving liquidity and the reduction of its borrowings from the ECB enabled CGD Group to reduce the amount of its assets eligible assigned to the ECB pool by €1,183 million (down 9.0 per cent.) to €11,962 million in June 2015. The value of the assets eligible for this pool was therefore €9,055 million at the end of 1st half 2015 and compares favourably with the €7,806 million available the year before.

In January, CGD tapped the market with a €1 billion 7 years issue with a coupon rate of 1 per cent.. This issue achieved a historically low level for Portuguese debt issuance within this maturity, being very well received by the market, with granular geographical distribution, particularly German investors (23 per cent.)

and attracting investor’s interest in Portuguese covered bonds. The amount issued was higher than in former issuances (€1 billion as opposed to €750 million in 2013 and 2014), with an effective reduction of financing costs.

The liquidity coverage ratio (LCR), was 135.9 per cent. at the end of June (99.9 per cent. the year before). This was higher than the 60 per cent. minimum required from October 2015 and the 100 per cent. requirement for 2018, confirming CGD Group’s liquidity situation.

Shareholder’s Equity

The Group's shareholders' equity, down 11.1 per cent. by €798 million over the end of June 2014 to €6,391 million at the end of June 2015, was influenced by the evolution of "other reserves and retained earnings".

Shareholder´s Equity

(€million)

	June 2014	Dec. 2014	June 2015
Share Capital	5,900.0	5,900.0	5,900.0
Fair Values Reserves	373.5	411.8	200.9
Other Reserves and Retained Earnings	(97.1)	(437.9)	(756.8)
Non-Controlling Interests	902.5	966.9	999.9
Net Income	110.1	(348.0)	47.1
Total	**7,189.0**	**6,492.8**	**6,391.1**

The phased-in and fully implemented common equity tier 1 (CET 1) ratios, calculated in accordance with CRD IV / CRR rules, and considering the deferred tax assets special regime, totalled 11 per cent. and 9.8 per cent., respectively, at 30 June 2015. The above ratios were 11.7 per cent. and 11 per cent. one year previously.

Main Risks and Uncertainties for the Second Half 2015

Notwithstanding the disappointing economic evolution in the first half of the year of some of the major world economies - particularly the US - but in several emerging economies as well, the cyclical recovery currently underway is expected to accelerate in the second half of 2015 albeit at a moderate pace.

The anticipated acceleration of growth is based on a still favourable financial environment with interest rates historically low but continued appreciation of financial assets; low energy prices; the stabilization of the Chinese economy; increased job growth, and not only in the US; and the recovery of lending to the private sector, towards which, the set of measures announced by the ECB in the first half was an important support factor of a Euro Area recovery, which is expected to continue.

Notwithstanding the expectation of an improvement in the global economic environment, it is possible to identify a number of risks and uncertainties for the second half of 2015.

First, in the second half of the year, possibly we will witness the first increase of the US Federal Reserve rate since 2006, given that the unemployment rate is close to full employment levels. Should it happen, its timing and magnitude are uncertain. The beginning of the withdrawal of monetary stimulus, although justified by improved economic conditions, including the resumption of the labor market and prospects of accelerating wage growth, could lead to periods of instability, with higher volatility in financial markets and adverse impact on the levels of confidence and economic activity.

Second, one of the main risks for the second half of the year relates to the behaviour of some of the major emerging economies. After the first half, due to specific factors, not only China but economies such as Brazil and Russia, among others, have disappointed, with the absence of structural reforms to address some of the major imbalances, increasing the likelihood of weak economic conditions in many developing countries. In terms of external factors, this adjustment of monetary stimulus in the US, if it occurs more quickly, provides an expectation of appreciation of the dollar and tighter global liquidity, resulting in pressure to redirect capital flows. In some cases, this may require some central banks to raise their interest rates which could negatively impact economic growth.

It should be also be noted that in some cases, not only in emerging countries but also developed, the possible weakening of commodity prices brings with it the possibility of a significant impact on fiscal and current revenues in these exporting countries, bringing into question the sustainability public finances and economic performance.

Third, a not lesser risk involves the economic situation in Greece and the ongoing negotiations between Greece and the international institutions, as well as the implementation of the results of such negotiations aiming at solving the financing needs of that Member State.

Fourth, in the euro zone, despite the more robust growth since the summer of 2014, there are still many constraints and challenges. The most significant of all relates to the need to strengthen the potential economic growth in a context where fiscal consolidation efforts have slowed but are still needed in several member countries. This is crucial to address the unemployment that although has fallen over the past few months, still remains high.

Fifth, an additional risk factor felt across the developed economies is related to the magnitude of expected reflation. The sharp drop in prices of the main energy raw materials in the second half of 2014 gradually raised deflation fears in the developed world earlier this year. The stabilization and slight recovery of those prices has helped to reduce fears of a sustained fall of prices, as well as to the stabilization of inflation expectations.

The recent announcement of an increase in production from some of the major oil exporting countries, the agreement on the nuclear issue with Iran allowing it to start exporting oil, and the slowdown in some emerging large economies that are very dependent on energy, led to a further drop in oil prices. In the second half of 2015 it is possible to see a renewed period of falling inflation expectations and, again, uncertainty and concern on the part of some major central banks with regards to a further increase in the deviation of inflation levels to projected targets. Based on these factors, pressure will remain high for the strengthening of monetary stimulus by some central banks, including the ECB.

The evolution of the respective indicators during the first half of 2015 indicates that the implementation of a quantitative easing programme by the ECB has had the desired effects, among others, in the general improvement in financing conditions. Not only the cost of financing for non-financial firms has declined, as the evolution of lending in the region has shown significant improvements, particularly measured in terms of loans to individuals, but also reflecting small improvements in loans to non-financial companies, that during the first half saw the continued improvement of credit standards. If, as expected, a positive increase of the supply of credit, in an environment of lower interest rates, improved risk exposure capacity by banks and a decrease in spreads, and lower impairment perspective, with positive impacts on economic activity in response to a recovery in demand for credit. Nevertheless, the credit recovery in the Euro Area remains partly constrained by unemployment levels still high, the ongoing consolidation of several institutions, which in many cases has resulted in a reduction of loans and high levels of indebtedness of businesses and households in many economies.

In Portugal, after an improvement in indicators during the first half of the year, during which growth remained positive, the recovery is expected to continue gradually. Like other economies of the European periphery, it continued to improve financing conditions, along with a slight decrease of the respective tightening in lending, despite the level of indebtedness of households and businesses.

Competition

In 2014 and during the First Half of 2015, CGD continued to face intense competition in virtually all of its business areas. There was no particular key competitor for its deposit-taking business in Portugal, although CGD took into account the rates and terms offered by other deposit-taking banks and it followed market trends in the Portuguese deposit-taking sector.

The banks operating in other jurisdictions followed similar policies. In Portugal, the principal competitors of CGD in 2014 and during the First Half 2015, for housing loans were, Millennium BCP, Banco Santander Totta, Banco BPI and Novo Banco.

Relationship with the Portuguese State

CGD is wholly owned by the Portuguese State and is regulated by general and specific regulations applicable to credit institutions, legislation applicable to public limited companies and legislation applicable to state-owned companies. The public nature of CGD is expected to be maintained and reinforced in the current context of the Portuguese financial system. CGD has complete autonomy in administrative and financial matters.

CGD's corporate objects are the performance of banking operations pursuant to the terms defined in its articles of association and subject to the scope of the limitations defined in applicable legislation. CGD provides the Portuguese Government with banking services in competition with other banks. CGD is additionally able to undertake any other functions which have been specifically given to it by law, the manner and terms of which are defined in contracts entered into with the Portuguese Government.

The rights of the Portuguese Government as shareholder are exercised by a representative appointed in a regulation issued by the Portuguese Minister of Finance.

The 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 envisage to establish best practices of corporate governance in state-owned companies and to ensure that the control exercised by the State is not abused. These rules namely provide that: (i) the exercise of the 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 State shall be clearly identified; (ii) the 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 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 State; (iii) the State shall ensure that the state-owned company has adequate s, 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 (iv) the 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.

In addition, CGD as a state-owned company is also bound to comply with the principles of corporate governance established under the Council of Ministers' Regulation above, which sets forth a number of principles relating to targets and general guidelines, the structures of the administration and supervision boards, remuneration and other rights, conflicts of interest and disclosure of material information.

The level of compliance with these corporate governance principles by CGD can be found on page 321 et seq. of the audited consolidated financial statements of the Issuer in respect of the financial year ended 31 December 2014 (available at http://web3.cmvm.pt/sdi/emitentes/docs/PC56062.pdf) which has been previously published and filed with the CMVM and is deemed to be incorporated in and to form part of this Base Prospectus.

Board of Directors, General Meeting, Audit Committee and Statutory Auditor of CGD

Pursuant to Decree-law no. 287/93, of 20 August 1993, as amended, CGD must at all times be owned by the Portuguese State. CGD may, on a contractual basis, undertake special functions considered to be of national interest. There are three corporate bodies within CGD: the Board of Directors (*Conselho de Administração*), the General Meeting (*Assembleia Geral*) and the Audit Committee (*Comissão de Auditoria*). The General Meeting is conducted under the direction of a General Meeting Board (*Mesa da Assembleia Geral*).

The members of the Board of Directors, Audit Committee and the General Meeting Board are elected by the General Meeting. The Board of Directors appoints the Executive Committee. Since the Portuguese State holds the entire share capital of the Issuer, all such members are selected by the Portuguese Government.

The current Board of Directors is composed of thirteen members, a President, one Vice-President and eleven Members, who were elected for a three year period. The term of office of the current members of the Board of Directors is due to last until 2015. The Board of Directors is responsible for the management, administration and representation of the Issuer. The Portuguese State is represented by the Ministry of Finance in the General Meeting. The Audit Committee assists in the preparation of the Issuer's own and consolidated accounts. The Issuer has also a Statutory Auditor (*Revisor Oficial de Contas*) responsible for certifying the same accounts, which is also elected by the General Meeting.

Board of Directors

The following are the members of the Board of Directors of CGD, the business address of which is CGD's head office:

Name[1]	*Title*	*Position in other corporations, if any*
Álvaro José Barrigas do Nascimento........................	Chairman	Chairman of the Board of Directors of Fundação Caixa Geral de Depósitos – Culturgest.
José Agostinho Martins de Matos	Vice-Chairman / Chairman of the Executive Committee	Chairman of the Board of Directors of Parcaixa, SGPS, S.A.; Chairman of the Board of Directors of Caixa Participações, SGPS, S.A. and Member

[1] Board member Jorge Freire Cardoso requested on 16 September 2014 the suspension of his functions for a 6 months period, renewed on 13 April 2015 for another 6 months period.

		of the Board of Directors of the Portuguese Banking Association.
Nuno Maria Pinto de Magalhães Fernandes Thomaz	Member / Vice President of the Executive Committee	Chairman of the Board of Directors of Banco Caixa Geral – Brasil, S.A.; Chairman of Banco Caixa Geral Totta Angola, S.A.; Chairman of the Board of Directors of Parbanca, SGPS, S.A.; Chairman of the Board of Directors of Banco Nacional Ultramarino, S.A.; Chairman of the Board of Directors of Caixa-Banco de Investimento, S.A.; Chairman of the Board of Directors of Caixa Capital – Sociedade de Capital de Risco, S.A.; Chairman of the Board of Directors of Caixa Desenvolvimento, SGPS, S.A.; Chairman of the Board of Directors of Caixa Geral de Aposentações; Chairman of the Board of Directors of CGD Pensões – Sociedade Gestora de Fundos de Pensões, S.A.; Chairman of the Board of Directors of Mercantile Bank Holdings, LTD; Chairman of the Board of Directors of Mercantile Bank Limited; Vice-Chairman of Banco Comercial e de Investimentos, S.A.; Member of the Board of Directors of Caixa Seguros e Saúde, SGPS, S.A.; Member of the Board of Directors of Fidelidade – Companhia de Seguros, S.A.; Member of the Board of Directors of Fidelididade Assitência – Companhia de Seguros, S.A.; Member of the Board of Directors of Multicare – Seguros de Saúde, S.A.; Member of the Board of Directors of Grupo Visabeira, SGPS, S.A. and Member of the Board of Directors of Partang, SGPS, S.A..
João Nuno de Oliveira Jorge Palma	Member / Executive Member	Chairman of the Board of Directors of Banco Caixa Geral, S.A.; Member of the Board of Directors of Wages Committee Banco Caixa Geral, S.A.; Chairman of the Board of Directors of Caixa Gestão de Activos, SGPS, S.A.; Chairman of the Board of Directors of Caixa Seguros e Saúde, SGPS, S.A.; Chairman of the Board of Directors of Sogrupo – Compras e Serviços Partilhados, ACE; Vice Chairman of

		the Board of Directors of Banco Caixa Geral – Brasil, S.A.; First Vice-Chairman of the Board of Directors of Banco Caixa Geral Totta Angola, S.A.; Vice-Chairman of the Board of Directors of Fidelidade Assistência – Companhia de Seguros, S.A.; Vice-Chairman of the Board of Directors of Fidelidade – Companhia de Seguros, S.A.; Vice-Chairman of the Board of Directors of Multicare Seguros de Saúde, S.A.; Member of the Board of Directors of Parcaixa, SGPS, S.A.; Member of the Board of Directors of Banco Comercial e de Investimentos, S.A. and Member of the Winding-up Committee of Partang, SGPS, S.A..
José Pedro Cabral dos Santos	Member / Executive Member	Chaiman of the Board of Directors of Wolfpart, SGPS, S.A; Chairman of the Board of Directors of Locarent – Comp. Portuguesa Aluguer de Viaturas, S.A.; Chairman of the Board of Directors of Caixa Leasing and Factoring – IFIC, S.A.; Vice-Chairman of Caixa Seguros e Saúde, SGPS, S.A.; Member of the Board of Directors of Caixa-Banco de Investimento, S.A; Member of the Board of Directors of Banco Caixa Geral, S.A.; Member of the Board of Directors of Fidelidade – Companhia de Seguros, S.A.; Member of the Board of Directors of Fidelidade Assistência - Companhia de Seguros, S.A. and Member of the Board of Directors of Multicare – Seguros de Saúde, S.A..
Ana Cristina de Sousa Leal....................................	Member / Executive Member	Member of the Board of Directors of Caixa Geral de Aposentações.
Maria João Borges Carioca Rodrigues	Member / Executive Member	Chairman of the Board of Directors of Sogrupo - Sistemas de Informações, ACE; Chairman of the Board of Directors of CaixaTec - Tecnologias de Comunicação, S.A.; Member of the Board of Directors of SIBS, SGPS, S.A. and Member of the Strategic Board of CaixaTec - Tecnologias de Comunicação, S.A..
Eduardo Manuel Hintze	Member	Not applicable.

da Paz Ferreira...................		
Pedro Miguel Valente Pires Bela Pimentel	Member	Member of the Board of Directors of Banco Caixa Geral, S.A..
José Luis Mexia Fraústo Crespo de Carvalho	Member	Not applicable.
José Ernst Henzler Vieira Branco………	Member	Not applicable.
Daniel Abel Monteiro Palhares Traça	Member	Not applicable.
Pedro Fontes Falcão	Member	Not applicable.

No potential conflicts exist between any duties to the Issuer of the persons on the board of directors, as listed above, and their private interests or other duties in respect of their management roles.

The Issuer complies with the corporate governance regime in Portugal.

The business address of each of the Directors is Av. João XXI, No. 63, 1000-300 Lisbon.

General Meeting

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

Name	Title
Manuel Carlos Lopes Porto	Chairman
José Lourenço Soares...	Secretary

It is the Issuer's understanding that the members of the General Meeting Board comply with the requirements on independence and incompatibilities set forth in the Portuguese Companies Code.

Audit Committee

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

Name	*Title*
Eduardo Manuel Hintze da Paz Ferreira..	Chairman
Daniel Traça	Deputy-Chairman
Pedro Fontes Falcão	Member

It is the Issuer's understanding that the members of the Supervisory Board comply with the requirements on independence and incompatibilities set forth in the Portuguese Companies Code. Furthermore, it is the Issuer's understanding that the Chairman, Eduardo Manuel Hintze de Paz Ferreira, complies with the suitability, knowledge and independency requirements set forth in the same Code.

Statutory Auditor

The Statutory Auditor, elected by the General Meeting for the period of 2013 to 2015, is Oliveira Rego & Associados, SROC (represented by Manuel de Oliveira Rego), member of the Portuguese Institute of Statutory Auditors (Ordem dos Revisores Oficiais de Contas), registered with the CMVM with registration number 218, with registered office at Av. Praia da Vitória, no. 73-2o Esq. 1050-183 Lisboa, its substitute being Álvaro, Falcão & Associados, SROC (represented by Eleutério Ganilho Álvaro), member of the Portuguese Institute of Statutory Auditors, registered with the CMVM with registration number 222, with registered office at Rua Antero de Quental, no. 639, 4200-068 Porto.

THE PORTUGUESE MORTGAGE MARKET AND THE SERVICING OF THE COVER POOL

Mortgage Evolution

According to the European Mortgage Federation - Hipostat 2015, the Portuguese property sector is characterised by a relatively high ownership ratio (79 per cent.), resulting both from cultural reasons and from the absence of a well-functioning rental market. Thus, the housing market grew 6 per cent., from 5.6 to 5.9 million dwellings between 2004 and 2014, whereas the population remained almost unchanged, with 10.4 million habitants. After 2008, according to the Construction and Housing Statistics Portugal, INE, the year on year evolution of the housing stock market have been declining, registering a minimum of 0.2 per cent. in 2014.

In the same period, the number of dwellings completed and brought to the residential market has changed significantly, decreasing 11 per cent., in average, each year.

According to the National Statistics Institute, in 2014 the number of buildings completed was 14.846, representing a decrease of 31 per cent. when compared to 2013. The majority were residential buildings (around 61 per cent.).

The number of dwellings completed has also decreased by 42 per cent. in 2014 (-29.7 per cent. in 2013). Dwellings completed in new constructions for family housing decreased by 46per cent. (-31 per cent. in 2013).

In the residential market, renewals have strongly increased their representation in the last decade, from 15 per cent. in 2004 to 31 per cent. in 2014.

In the period from 2004 to 2014, the number of permits for residential properties has strongly decreased, reflecting the adjustment of the housing stock to the evolution of the population in Portugal. In 2014 the number of building permits issued in Portugal decreased by 5.5 per cent. vis-à-vis the previous year (-23.2 per cent. in 2013), which means that 15,458 building permits were approved, corresponding to a deceleration in the downward trend displayed since 2000.

The new residential dwelling permits issued decreased by 7.3 per cent. over 2013, corresponding to 6,785 dwelling permits in 2014 (-35.6 per cent. in 2013).

Renewals have increased their representation in the total number of issued permits, from 15 per cent. in 2004 to 38 per cent. in 2014.

Between 2010 and 2012, the number of dwellings sold has also reduced significantly (41 per cent.), due to the financial assistance program, the indebtedness of Portuguese families and the strong restrictions on access to bank credit.

However, after that period, and according to the Property Index from Statistics Portugal - INE, there has been a reversal of the downward trend in the number of dwellings sold, increasing 4 per cent. in 2013, 6 per cent. in 2014, and during 2015 of an outlook of 22 per cent..

Used houses have increased their representation in the total of properties sold, from 64 per cent. in 2010 to 78 per cent. in 2015, demonstrating the shift from construction to rehabilitation in Portugal.

However, it should be noted that, in the period from 2000 to 2014, the growth rate of real residential property prices in Portugal has been more stable than in the Euro area as a whole.

Because speculative movements did not affect the Portuguese housing market, in the period of 2008-2013 Portugal was less affected by the subprime crisis than other countries in the Euro area, such as Spain or Ireland. A moderate decrease in the house price index was felt, from 2009 to 2012 (an annual average decrease of 3.6 per cent.). However, Portuguese property price index has stabilised in 2013, starting a growth trend in 2014 and 2015.

According to Bank of Portugal reports, in December 2014, Portugal's residential mortgage market was valued at €101,7 billion, a value which represents a decrease of less 3,9 per cent. than in December 2013. Total outstanding mortgages showed a turning point in 2011, starting a declining cycle (down 2,7 per cent. yearly between December 2010 and December 2014), due to a decrease in new lending activity.

The main reason for this trend in the mortgage market is the new lending activity in Portugal, which has been slowing down between 2010 and 2013, reflecting low consumer confidence and more stringent fiscal policies applied to households.

These adverse economic conditions are reflected in the amount of non-performing loans that have been steadily increasing since December 2010. In December 2014 non-performing loans reached €2,5 billion, representing 2,46 per cent. of total outstanding, as compared to 2,3 per cent. in December 2013.

With the completion of the financial adjustment program associated with the request of financial assistance by Portugal to the ECB, domestic demand for new loans has increased 3 per cent. in 2014, indicating an improvement in consumer confidence and a change-over in credit policies.

In 2014 and in the first half of 2015, Portuguese banks have been decreasing the rates applied in new loans, following the downtrend of EURIBOR, the main rate usually associated to the rate of new loans.

Because most residential mortgage loans pay interest on a floating rate basis indexed to 6 month EURIBOR, instalments have decreased significantly, with a positive impact on non-performing loans and new loans demand.

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 customer 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 insures and applicants' age.

The Issuer has also developed, through financial and cooperative agreements with various property market operators, alternative external channels to secure new business, including entering into conventions organised by major networks of brokers and financial consultants, operating under franchising regimes, which have commercial relations with the Issuer.

In addition to protocols with the referred property market operators, the Issuer has entered into a significant number of agreements, offering special terms to promissory purchasers of apartments in prestige developments, built with CGD corporate credit.

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 loan).

The applicant is provided with information regarding the financial conditions attached to the mortgage loan and any associated expenses, together with a request list of the information and documents which the applicant is required to provide as part of the application process. The application process is in accordance with the "European Conduct Code" and the Bank of Portugal Notice (*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 liquidation note and a location map and plan of the property.

The Issuer reviews the following matters during the application process: applicant's income, debt to income and loan-to-value ratios and the applicant's credit profile. In establishing this information, 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 responsible officer at Issuer for approval.

Approval of a mortgage loan is the responsibility of different levels of management within the organisation, involving branch management, the regional, commercial and co-ordination managers, mortgage and real estate department and the Board of Directors, depending on the size and type of loan and pricing under consideration.

Insurance

Property Insurance coverage is required to be in place when the mortgage loan is advanced. Fire or multi-risk insurance is compulsory for an amount equal to or greater than the property's reconstruction value.

Life insurance is mandatory 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 for mortgages loans used to purchase houses owned by CGD as a result of mortgage delinquency.

Most residential mortgage loans pay interest on a floating rate basis indexed to 6 month EURIBOR (as the rate varies quarterly or half yearly) with a spread depending on the loan-to-value ratio, the amount of the loan and the client profile, according to risk scoring model. Clients may also choose from a wide range of fixed rates at 2, 3, 5, 10, 15 and 20 years of maturity. 6 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 5 or 10 years and a set of unique benefits given to customers who want to buy, with a mortgage loan, 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 Euribor and over indebtedness, CGD uses Euribor plus 2 per cent. and includes insurance costs in the financial customer capacity evaluation for new loans, and through their inclusion in debt to income ratio.

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 ones.

This model focuses on lower risk customers and penalises price levels especially in the decision, whether 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, CGD launched, in March 2009, Advanced Price Differentiation (APD).

APD controls and enhances the profitability of operations, strengthens involvement with customers, increases cross-selling, promotes the maintenance of the conditions agreed and improves monitoring of portfolio of mortgages.

This integrated application controls cross-selling 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 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 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 circumstances, 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 overdraft limit negotiated within a two-month period;
- using their credit cards limits for more than 95 per cent. during the last 12 months;
- 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 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 each and 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 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 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 from the customer a payment promise or, if not feasible, a face-to-face meeting at the branch to examine and negotiate new solutions suitable to the customer's financial situation.

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 instalments reduction.

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 clients about the evaluation of failure;
- Contractual remedies proposals, adequate to each borrower 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, 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 workout 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 (5th defaulted instalment), and if no further conversations have yielded results, legal proceedings start and the customer is so notified. 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 contains 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 establish 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 interests, amortisation or reimbursement premiums and other types of remuneration arising from Covered Bonds issued by private entities are qualified as investment income for Portuguese tax purposes.

General Tax Regime on Debt Securities

Interest and other types of investment income obtained on Covered Bonds by a Portuguese resident individual is subject to individual income tax. If the payment of interest or other investment income is made available to Portuguese resident individuals, withholding tax applies at a rate of 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; if the option of income aggregation is made, an additional surcharge at the rate of 3.5 per cent. will also be due over the amount that exceeds the annual amount of the monthly minimum guaranteed wage. In this case, the tax withheld is deemed a payment on account of the final tax due. Accrued interest qualifies as interest, rather than as capital gains, for tax purposes.

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; if the option of income aggregation is made, an additional surcharge at the rate of 3.5 per cent. will also be due over the amount that exceeds the annual amount of the monthly minimum guaranteed wage. 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) 7 (seven) 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 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 by Ministerial Order no. 292/2011, of 8 November 2011.

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 belong 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 by Ministerial Order no. 292/2011, of 8 November 2011 (Lista dos países, territórios e regiões com regimes de tributação privilegiada, claramente mais favoráveis). Capital gains obtained by individuals that are not entitled to said exemption will be subject to taxation at a 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 by Ministerial Order no. 292/2011, of 8 November 2011 (*Lista dos países, territórios e regiões com regimes de tributação privilegiada, claramente mais favoráveis*). If the exemption does not apply, the gains will be subject to corporate income tax at a rate of 25 per cent. Under the tax treaties entered into by Portugal, such gains are usually not subject to Portuguese tax, but the applicable rules should be confirmed on a case by case basis.

Special debt securities tax regime

Pursuant to Decree-Law 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.

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 Noteholder), the Noteholder 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 Noteholders 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 Noteholders in an exempt account, allowing application of the exemption upfront, requires evidence of the non-resident status, to be provided by the Noteholder 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 Noteholder 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 Noteholder 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 Noteholder 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 Noteholder 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 Noteholder 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) 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.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income (the "Savings Directive"), each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income (to this effect, similar income includes, inter alia, payments on redemption of the Covered Bonds representing any discount on the issue of the Covered Bonds or any premium payable on redemption) paid 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 be 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.

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 2017. 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 Notes are issued before the grandfathering date, and additional Notes of the same series are issued on or after that date, the additional Notes may not be treated as grandfathered, which may have negative consequences for the existing Notes, 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.

Portugal has implemented, through Law 82-B/2014, of 31st 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.

In addition, Portugal has signed the Intergovernmental Agreement with the US on 6 August 2015. However, the Intergovernmental Agreement with US is not yet in force.If the Issuer becomes a Participating FFI under FATCA, the Issuer and financial institutions through which payments on the Notes are made may be required to withhold FATCA Withholding if any FFI through or to which payment on such Notes 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 Notes 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 Notes.

Considering that additional legislation regarding certain procedures and rules in connection with FATCA has to be approved in Portugal, the above description of the withholding and reporting obligations of the Issuer might differ slightly.

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 Notes.

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**).

The proposed FTT has very broad scope and could, if introduced in its current form, apply to certain dealings in Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes 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 Notes 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.

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 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 Notes 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, 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.

Public Offer Selling Restrictions under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Dealer represents, warrants and agrees, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Covered Bonds which are subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Covered Bonds to the public in that Relevant Member State:

(a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Covered Bonds referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "**offer of Covered Bonds to the public**" in relation to any Covered Bonds in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Covered Bonds to be offered so as to enable an investor to decide to purchase or subscribe for the Covered Bonds, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "**Prospectus Directive**" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented by the Relevant Member State) and includes any relevant implementing measure in the Relevant Member State, and the expression "**2010 PD Amending Directive**" means Directive 2010/73/EU of the European Parliament and of the Council of 24 November 2010.

Portugal

In relation to the Covered Bonds, each Dealer represents and agrees with the Issuer, and each further Dealer appointed under the Programme will be required to represent and agree, that, except as permitted by the Programme Agreement: (i) it has not directly or indirectly taken any action or offered, advertised, marketed, invited to subscribe, gathered investment intentions, sold or delivered and will not directly or indirectly take any action, offer, advertise, market, invite to subscribe, gather investment intentions, sell, re-sell, re-offer or deliver any Covered Bonds in circumstances which could qualify as a public offer (*oferta pública*) of securities pursuant to the Portuguese Securities Code and other applicable securities legislation and regulations, notably in circumstances which could qualify as a public offer addressed to individuals or entities resident in Portugal or having permanent establishment located in Portuguese territory, as the case may be; (ii) all offers, sales and distributions by it of the Covered Bonds have been and will only be made in Portugal in circumstances that, pursuant to the Portuguese Securities Code, qualify as a private placement of Covered Bonds only (*oferta particular*); (iii) it has not distributed, made available or caused to be distributed and will not distribute, make available or cause to be distributed the Base Prospectus or any other offering material relating to the Covered Bonds to the public in Portugal; (iv) if the Covered Bonds are subject to a private placement addressed exclusively to qualified investors (*investidores qualificados*), such private placement will be considered as a private placement of securities pursuant to the Portuguese Securities Code; (v) private placements addressed by companies open to public investment (*sociedades abertas*) or by companies issuing securities listed on a regulated market shall be notified to the CMVM for statistic purposes; (vi) it will comply with all applicable provisions of the Portuguese Securities Code and any applicable CMVM Regulations and all relevant Portuguese laws and regulations, in any such case that may be applicable to it in respect of any offer or sale of Covered Bonds by it in Portugal or to individuals or entities resident in Portugal or having permanent establishment located in Portuguese territory, as the case may be; notably, each Dealer has represented and agreed that it shall at all times comply with all applicable laws and regulations in force in Portugal, including (without limitation) the Portuguese Securities Code, the CMVM Regulations and the Prospectus Regulation, regarding the placement of any Covered Bonds in Portugal or to individuals or entities resident in Portugal or having permanent establishment located in Portuguese territory, as the case may be, including the publication of a Base Prospectus, when applicable, and that such placement shall only be authorised and performed to the extent that there is full compliance with such laws and regulations.

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 9 September 2015, in accordance with the provisions of the Covered Bonds Law.

Listing

Application has been 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 2015 and there has been no material adverse change in the financial position or prospects of the Issuer since 31 December 2014.

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.

Accounts

The auditor of the Issuer is Deloitte & Associados – SROC, S.A. ("**Deloitte**"), (which is a member of the Portuguese Institute of Statutory Auditors (*Ordem dos Revisores Oficiais de Contas*), was represented by João Carlos Henriques Gomes Ferreira and currently is represented by Maria Augusta Cardador Francisco, for the financial statements of the Issuer for the financial years ended 31 December 2013 and 31 December 2014, respectively. The Auditor is registered with the CMVM with registration number 231, 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 and the individual accounts of the Issuer in accordance with the Adjusted Accounting Standards (*Normas de Contabilidade Ajustadas – NCA*) established by the Bank of Portugal for each of the two financial years ended on 31 December 2013 and 31 December 2014.

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 of the Common

Representative and the Paying Agents for the time being:

(a) the constitutional documents (including the by-laws together with an English translation thereof) of the Issuer;

(b) the audited consolidated financial statements of the Issuer (together with an English translation thereof) in respect of the financial years ended 31 December 2013 and 31 December 2014;

(c) the most recently published audited annual financial statements of the Issuer and the most recently published unaudited interim financial statements (if any) of the Issuer (together with an English translation thereof);

(d) the Programme Agreement (as more recently amended and restated) and the Agency and Payments Procedures (as more recently amended and restated) originally dated 23 November 2006;

(e) the Common Representative Appointment Agreement (as more recently amended and restated) originally dated 23 November 2006;

(e) this Base Prospectus, and any supplement thereto;

(f) 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

(g) the base prospectus dated 24 October 2014 and the supplement thereto dated 15 January 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 Securit**y" means any other encumbrances or guarantees the benefit of which is vested in the Issuer as security for the repayment of a Mortgage Credit

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

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

"**Arranger**" means Barclays Bank PLC and any other entity appointed as an arranger for the Programme and references in this Agreement to the Arranger shall be references to the relevant Arranger.

"**Auditor**" means Deloitte & Associados – SROC, S.A., member of the Portuguese Institute of Statutory Auditors (*Ordem dos Revisores Oficiais de Contas*), registered with the CMVM with registration number 231, with registered office at Av. Engenheiro Duarte Pacheco, no. 7, 1070-100, 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 11 December 2015, prepared in connection with the Programme.

"**Bearer Covered Bonds**" means any Covered Bonds in bearer (*ao portador*) form issued.

"**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 TARGET 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 Deloitte & Associados – SROC, S.A., member of the Portuguese Institute of Statutory Auditors (*Ordem dos Revisores Oficiais de Contas*), registered with the CMVM with registration number 231, with registered office at Av. Engenheiro Duarte Pacheco, no. 7, 1070-100, Lisboa.

"**Cover Pool Monitor Agreement**" means the agreement dated 23 November 2006 entered into 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 depositary.

"**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., Crédit Agricole Corporate and Investment Bank, Credit Suisse Securities (Europe) Limited, Citigroup Global Markets Limited, Commerzbank Aktiengesellschaft, Daiwa Capital Markets Europe Limited, Deutsche Bank Aktiengesellschaft, DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main, HSBC France, Natixis, J.P. Morgan Securities plc, Merrill Lynch International, Morgan Stanley & Co. International plc, Nomura International plc, Société Générale, The Royal Bank of Scotland plc, UBS Limited and UniCredit Bank AG, and any other Dealer(s) appointed from time to time by the Issuer in accordance with the Programme Agreement.

"**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).

"**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.

"**Eurosystem**" 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.

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

"**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 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 or the Registrar, as the case may be, on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the holders of Covered Bonds in accordance with Condition 11 (*Notices*).

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

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

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

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

"**Stabilising Manager**" means the Dealer or Dealers (if any) named as the stabilising manager(s) for a particular Tranche of Covered Bonds.

"**Substitute Credit Institution**" means the credit institution appointed in case of an Insolvency Event to manage the Cover Pool allocated to the outstanding Covered Bonds and to ensure the payments of the amounts due to the holders of such Covered Bonds.

"**Stock Exchange**" means Euronext Lisbon or any other stock exchange where Covered Bonds may be listed as per the relevant Final Terms and references in this Agreement to the **relevant Stock Exchange** shall, in relation to any Covered Bonds, be references to the stock exchange or stock exchanges on which such Covered Bonds are from time to time, or are intended to be, listed.

"**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.

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

"**TARGET System**" means the Trans-European Automated Real-time Gross Settlement Express Transfer Payment System which utilises a single shared platform and which was launched on 19 November 2007 (TARGET 2).

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

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

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

"**Terms and Conditions**" means in relation to the Covered Bonds, the terms and conditions 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 Unites 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.

REGISTERED OFFICE OF THE ISSUER

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COVER POOL MONITOR

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London EC1A 1HQ, United Kingdom

Morgan Stanley & Co. International plc
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Société Générale
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The Royal Bank of Scotland plc
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UBS Limited
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