



BANCO COMERCIAL PORTUGUÊS, S.A.

(incorporated with limited liability in Portugal)

€10,000,000,000

COVERED BONDS PROGRAMME

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

Under this €10,000,000,000 Covered Bonds Programme (the “**Programme**”), the Issuer may from time to time issue mortgage covered bonds (the “**Covered Bonds**”) denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below).

Covered Bonds may be issued in bearer or registered form (respectively, “**Bearer Covered Bonds**” and “**Registered Covered Bonds**”). The maximum aggregate nominal amount of all Covered Bonds from time to time outstanding under the Programme will not exceed €10,000,000,000 (or its equivalent in other currencies calculated as described herein), subject to increase as described herein. Covered Bonds may be issued on a continuing basis to one or more of the Dealers specified under *Overview of the Programme* and any additional Dealer appointed under the Programme from time to time by the Issuer (each a “**Dealer**” and together, the “**Dealers**”), which appointment may be for a specific issue or on an ongoing basis. References in this Base Prospectus to the relevant Dealer shall, in the case of an issue of Covered Bonds being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to purchase such Covered Bonds.

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

This document comprises a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC (the “**Prospectus Directive**”). Application has been made to the Financial Services Authority in its capacity as competent authority under the Financial Services and Markets Act 2000 (the “**UK Listing Authority**”) for Covered Bonds issued under the Programme during the period of twelve months from the date of this Base Prospectus to be admitted to the Official List and to the London Stock Exchange for such Covered Bonds to be admitted to trading on the London Stock Exchange’s Gilt Edged and Fixed Interest Market. 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 the London Stock Exchange’s Gilt Edged and Fixed Interest Market and have been admitted to the Official List. The London Stock Exchange’s Gilt Edged and Fixed Interest Market is a regulated market for the purposes of Directive 93/22/EC (the Investment Services Directive). The Programme provides that Covered Bonds may be listed or admitted to trading, as the case may be, on such other stock exchange(s) or markets (including regulated markets) as may be agreed between the Issuer and the relevant Dealer. The Issuer may also issue unlisted Covered Bonds and/or Covered Bonds not admitted to trading on any market.

Arranger

Barclays Capital

Co-Arranger

Millennium investment banking

Dealers

ABN AMRO
CALYON Crédit Agricole CIB
Deutsche Bank
HSBC
Merrill Lynch International
Nomura International

Barclays Capital
Citi
Dresdner Kleinwort
IXIS Corporate & Investment Bank
Millennium investment banking
SANTANDER

The Royal Bank of Scotland

UniCredit Group (HVB)

BNP PARIBAS
Credit Suisse
DZ BANK AG
JPMorgan
Morgan Stanley
Société Générale Corporate &
Investment Banking
UBS Investment Bank

The date of this Base Prospectus is 5 June 2007.

RESPONSIBILITY STATEMENTS

In respect of the Issuer, this Base Prospectus comprises a base prospectus for the purposes of the Prospectus Directive for the purpose of giving information with regard to the Issuer which, according to the nature of the Issuer and the Covered Bonds, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer, as well as of the features and characteristics of the Covered Bonds.

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

The Issuer accepts responsibility for the information contained in this Base Prospectus. To the best of the knowledge of the Issuer (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.

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 on the basis that such documents are so incorporated and form part of this Base Prospectus.

No person has been authorised 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 issue or sale of 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 Arrangers, the Common Representative and the Dealers expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Programme or to advise any investor in the Covered Bonds of any information coming 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 does not constitute an offer to sell or the solicitation of an offer to buy any Covered Bonds in any jurisdiction to any person to whom it is unlawful to make the 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 the approval by the Financial Services Authority of this Base Prospectus as a base prospectus for the purposes of the Prospectus Directive) which would permit a public offering of any Covered Bonds or the distribution of this Base Prospectus or any other offering material relating to the Programme or the Covered Bonds issued thereunder in any jurisdiction where action for that purpose is required. Accordingly, no Covered Bonds may be offered or sold, directly or indirectly, and neither this Base Prospectus nor any advertisement or other offering material relating to the Programme or the Covered Bonds issued thereunder may be distributed or published in any jurisdiction, except under circumstances that would result in compliance with any applicable securities laws and regulations. Each Dealer has represented or, as the case may be, will be required to represent that to the best of its knowledge all offers and sale by it will be made on the terms indicated above. Persons into whose possession this Base Prospectus or any Covered Bonds may come must inform themselves about, and observe, any applicable restrictions on the distribution of this Base Prospectus and the offering and sale of the Covered Bonds. In particular, there are restrictions on the distribution of this Base Prospectus and the offer or sale of Covered Bonds in the United States, the European Economic Union (the "EEA") (including Italy, Portugal and the United Kingdom) and Japan. See *Subscription and Sale and Secondary Market Arrangements*.

The Arrangers, the Common Representative and the Dealers have not separately 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. Neither this Base Prospectus nor any other information supplied in connection with the Programme constitutes an 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.

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 in accordance with the Treaty establishing the European Community (as amended), to “U.S.\$”, “USD” or “U.S. dollars” are to United States dollars, the lawful currency of the United States of America, and to “£” or “GBP” or “pounds sterling” are to pounds sterling, the lawful currency of the United Kingdom.

TABLE OF CONTENTS

General Description of the Programme	5
Overview of the Covered Bonds Programme	6
Documents Incorporated by Reference	12
Risk Factors	13
Form of the Covered Bonds and Clearing Systems	22
Final Terms for Covered Bonds	27
Terms and Conditions of the Covered Bonds	40
Characteristics of the Cover Pool	64
Insolvency of the Issuer	70
Common Representative of the Holders of the Covered Bonds	71
Cover Pool Monitor	72
Description of the Issuer	74
The Portuguese Mortgage Market and the Servicing of the Cover Pool	94
Use of Proceeds	98
The Covered Bonds Law	99
Taxation	104
Subscription and Sale and Secondary Market Arrangements	108
General Information	112
Definitions	114
Annex 1 – Certificate for Exemption from Portuguese Withholding Tax on Income from Debt Securities	122
Annex 2 – Statement for Exemption from Portuguese Withholding Tax on Income from Debt Securities	125

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 (provided that, in the case of any Tranche to be admitted to trading on a regulated market in the European Economic Area, the aggregate principal amount of Covered Bonds allotted does not exceed 105 per cent. of the aggregate principal amount of the relevant Tranche) 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.

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. An overview of the terms and conditions of the Programme and the Covered Bonds appears under *Overview of the Covered Bonds Programme*. The applicable terms of any Covered Bonds will be agreed between the Issuer and the relevant Dealer prior to the issue of those Covered Bonds and will be set out in the Terms and Conditions of the Covered Bonds endorsed on, or attached to, the Covered Bonds as modified and supplemented by the applicable final terms attached to, or endorsed on, such Covered Bonds (the “**Final Terms**”), as more fully described under *Final Terms for Covered Bonds* below.

This Base Prospectus will only be valid for admitting Covered Bonds to trading on the London Stock Exchange's Gilt Edged and Fixed Interest Market during the period of 12 months from the date of this Base Prospectus 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 €10,000,000,000 (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 London and Lisbon, in each case, on the basis of the spot rate for the sale of the euro against the purchase of such Specified Currency in the Lisbon foreign exchange market quoted by any leading international bank selected by the Issuer on the relevant day of calculation;
- (b) the euro equivalent of Index Linked Covered Bonds (as specified in the applicable Final Terms in relation to the Covered Bonds, described under *Final Terms for Covered Bonds*) shall be calculated in the manner specified above by reference to the original nominal amount on issue of such Covered Bonds; and
- (c) the euro equivalent of Zero Coupon Covered Bonds (as specified in the applicable Final Terms in relation to the Covered Bonds, described under *Final Terms for Covered Bonds*) and other Covered Bonds issued at a discount or a premium shall be calculated in the manner specified above by reference to the net proceeds received by the Issuer for the relevant issue.

OVERVIEW OF THE COVERED BONDS PROGRAMME

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

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

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

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

Description:	Covered Bonds Programme.
Programme size:	<p>Up to €10,000,000,000 (or its equivalent in other currencies, all calculated as described under <i>General Description of the Programme</i>) aggregate principal amount (or, in the case of Covered Bonds issued at a discount, their aggregate nominal value) of Covered Bonds outstanding at any time.</p> <p>The Issuer will have the option at any time to increase the amount of the Programme, subject to compliance with the relevant provisions of the Programme Agreement.</p>
Issuer:	Banco Comercial Português, S.A. (see <i>Description of the Issuer</i>).
Arranger:	Barclays Bank PLC.
Co-Arranger:	Millennium investment banking
Dealers:	ABN AMRO Bank plc, BANCO SANTANDER CENTRAL HISPANO, S.A., Barclays Bank PLC, Bayerische Hypo- und Vereinsbank AG, BNP Paribas, CALYON, Citigroup Global Markets Limited, Credit Suisse Securities (Europe) Limited, Deutsche Bank AG, London Branch, Dresdner Bank Aktiengesellschaft, DZ BANK AG, HSBC Bank plc, IXIS Corporate & Investment Bank, J.P. Morgan Securities Ltd., Merrill Lynch International, Millennium investment banking, Morgan Stanley & Co. International plc, Nomura International plc, Société Générale, The Royal Bank of Scotland plc and UBS Limited 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.
Agent:	Banco Comercial Português, S.A., in its capacity as Agent, with head office at Praça Dom João I, 28, 4000-434 Porto, Portugal.
Paying Agent:	Banco Comercial Português, S.A., in its capacity as Paying Agent, with head office at Praça Dom João I, 28, 4000-434 Porto, Portugal, and any other Paying Agent appointed from time to time by the Issuer in accordance with the Programme Documents.
Cover Pool Monitor:	KPMG & Associados, SROC, SA, member of the Portuguese Institute of Statutory Auditors (“ <i>Ordem dos Revisores Oficiais de Contas</i> ”), registered with the CMVM with registration number 9093, with registered office at Edifício Monumental, Av. Praia da Vitória 71 – A, 11º, 1069-006 Lisbon, Lisbon. See <i>Cover Pool Monitor</i> .

Hedge Counterparties:	The parties or party (each, a “ Hedge Counterparty ” and together, the “ Hedge Counterparties ”) that, from time to time will enter into Hedging Contracts with the Issuer in accordance with the Covered Bonds Law.
Risk Factors:	There are certain factors that may affect the Issuer’s ability to fulfil its obligations under the Covered Bonds issued under the Programme. These are set out under <i>Risk Factors</i> below and include, <i>inter alia</i> , exposure to adverse changes in the Portuguese economy, the credit risk of borrowers and clients of the Issuer, the risk of increased competition in the Portuguese market and other market risks to which the Issuer is or may become exposed. In addition, there are risk factors which are material for the purpose of assessing the other risks associated with Covered Bonds issued under the Programme. These are also set out in detail under <i>Risk Factors</i> below and include, <i>inter alia</i> , the untested nature of the Covered Bonds Law, the dynamics of the legal and regulatory requirements, the fact that the Covered Bonds may not be suitable investments for all investors and the risks related to the structure of a particular issue of Covered Bonds.
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. Covered Bonds will be issued and placed only outside the United States in reliance on Regulation S under the Securities Act (“ Regulation S ”). See <i>Subscription and Sale and Secondary Market Arrangements</i> .
Certain Restrictions:	Each issue of Covered Bonds denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see <i>Subscription and Sale and Secondary Market Arrangements</i>).
Currencies:	Subject to compliance with relevant laws, Covered Bonds may be issued in any currency agreed between the Issuer and the relevant Dealer(s) (as set out in the applicable Final Terms) except Covered Bonds held through Interbolsa, which may only be issued in euro until such date as Interbolsa accepts registration and clearing of securities denominated in currencies other than euro.
Redenomination:	The applicable Final Terms may provide that certain Covered Bonds not denominated in euro on issue may be redenominated in euro.
Ratings:	<p>Covered Bonds issued under the Programme are expected on issue to be rated Aaa by Moody’s, AAA by Standard & Poor’s and AAA by Fitch.</p> <p>The rating of Covered Bonds will not necessarily be the same as the rating applicable to the Issuer. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.</p>
Listing and Admission to Trading:	Application has been made for Covered Bonds issued under the Programme to be admitted to the Official List and to trading on the London Stock Exchange. The Covered Bonds may also be listed on such further stock exchange(s) as may be agreed between the Issuer and the relevant Dealer(s). 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, the EEA (including Italy, Portugal and the United Kingdom) and Japan as set out in <i>Subscription and Sale and Secondary Market Arrangements</i> and such other restrictions as may be required in

	<p>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.</p>
United States Selling Restriction:	<p>The Covered Bonds have not been and will not be registered under the Securities Act and may not be offered or sold in the United States or to, or for the benefit of, US persons unless an exemption from the registration requirements of the Securities Act is available or in a transaction not subject to the registration requirements of the Securities Act. Accordingly, the Covered Bonds are being offered and sold only outside the United States in reliance upon Regulation S under the Securities Act. There are also restrictions under United States tax laws on the offer or sale of Bearer Covered Bonds to U.S. persons; Bearer Covered Bonds may not be sold to U.S. persons except in accordance with United States treasury regulations as set forth in the applicable Final Terms. See <i>Subscription and Sale and Secondary Market Arrangements</i>.</p>
Use of Proceeds:	<p>Proceeds from the issue of Covered Bonds will be used by the Issuer for its general corporate purposes.</p>
Status of the Covered Bonds:	<p>The Covered Bonds will constitute direct, unconditional and unsubordinated obligations of the Issuer and will rank <i>pari passu</i> among themselves. The Covered Bonds will be mortgage covered bonds issued by the Issuer in accordance with the Covered Bonds Law and, accordingly, will be secured on cover assets that comprise a cover assets pool maintained by the Issuer in accordance with the terms of the Covered Bonds Law, and will rank <i>pari passu</i> with all other obligations of the Issuer under mortgage covered bonds issued or to be issued by the Issuer pursuant to the Covered Bonds Law. See <i>Characteristics of the Cover Pool</i>.</p>
Terms and Conditions of the Covered Bonds:	<p>Final Terms will be prepared in respect of each Tranche of Covered Bonds, supplementing or modifying the Terms and Conditions of the Covered Bonds set out in <i>Terms and Conditions of the Covered Bonds</i>.</p>
Clearing Systems:	<p>Interbolsa, and/or Euroclear, and/or Clearstream, Luxembourg, (together the “Clearing Systems” and, each, a “Clearing System”) and/or, in relation to any Series of Covered Bonds, any other clearing system as specified in the relevant Final Terms. See <i>Form of the Covered Bonds and Clearing Systems</i>.</p>
Form of the Covered Bonds:	<p>The Covered Bonds held through Interbolsa will be in book-entry form, either in bearer or in registered form, and thus title to such Covered Bonds will be evidenced by book entries in accordance with the provisions of the Portuguese Securities Code and the applicable CMVM regulations. No physical document of title will be issued in respect of Covered Bonds held through Interbolsa. The Covered Bonds held through Euroclear and/or Clearstream will be issued in the form of either a Temporary Bearer Global Covered Bond or a Permanent Global Covered Bond and may be issued in bearer or registered form, as indicated in the applicable Final Terms. Bearer Covered Bonds held through Euroclear and/or Clearstream may be issued in new global note form (“NGN”). Registered Covered Bonds will not be exchangeable for Bearer Covered Bonds and vice versa. See <i>Form of the Covered Bonds and Clearing Systems</i>.</p>
Transfer of Covered Bonds:	<p>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.</p>
Maturities:	<p>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</p>

	Covered Bonds Law establishes that Covered Bonds may not be issued with a maturity term shorter than 2 years or in excess of 50 years. See also <i>Extended Maturity Date</i> .
Issue Price:	The Covered Bonds may be issued on a fully-paid basis and at an issue price which is at par or at a discount to, or premium over, par, as specified in the applicable Final Terms.
Events of Default:	Issuer Insolvency. See <i>Terms and Conditions of the Covered Bonds</i> .
Negative Pledge:	None.
Cross Default:	None.
Guarantor:	None.
Fixed Rate Covered Bonds:	Fixed interest will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer(s) and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer(s) (as set out in the applicable Final Terms).
Floating Rate Covered Bonds:	<p>Floating Rate Covered Bonds will bear interest determined separately for each Series as follows:</p> <ul style="list-style-type: none"> ● 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 2000 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. <p>The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer(s) for each Series of Floating Rate Covered Bonds. Interest periods will be specified in the applicable Final Terms.</p>
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.
Index Linked Covered Bonds:	Payments of principal in respect of Index Linked Redemption Covered Bonds or of interest in respect of Index Linked Interest Covered Bonds will be calculated by reference to such index and/or formula as may be specified in the applicable Final Terms.
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 <i>The Covered Bonds Law</i>), or (ii) that the relevant Covered Bonds will be redeemable at the option of the Issuer and/or the holder of Covered Bonds upon giving notice to the holder of Covered Bonds or the Issuer (as applicable), on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer(s). The applicable Final Terms may provide that the Covered Bonds may be redeemable in two or more instalments of such amounts and on such dates as are specified in the applicable Final Terms. See also <i>Extended Maturity Date</i> .
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 and 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, Floating Rate Covered Bonds or Index Linked Covered Bonds in respect of the period from the Issue Date to (and including) the Maturity Date;
- (b) Fixed Interest Covered Bonds, Floating Rate Covered Bonds or Index Linked Covered Bonds in respect of the period from (but excluding) the Maturity Date to (and including) the Extended Maturity Date, as set out in the applicable Final Terms.

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

**Denomination
of the Covered
Bonds:**

Covered Bonds will be issued in such denominations equal to or higher than €1,000 (or if the Covered Bonds are denominated in a currency other than euro, the equivalent amount in such currency) 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 minimum denomination of each Covered Bond admitted to trading on a regulated market within the EEA or offered to the public in a member state of the EEA in circumstances which require the publication of a prospectus under the Prospectus Directive will be €50,000 (or if the Covered Bonds are denominated in a currency other than euro, the equivalent amount in such currency).

**Taxation of the
Covered Bonds:**

All payments in respect of the Covered Bonds will be made without deduction for, or on account of, withholding Taxes imposed by any jurisdiction, unless the Issuer shall be obliged by law to make such

deduction or withholding. The Issuer will not be obliged to make any additional payments in respect of any such withholding or deduction imposed. See *Taxation*.

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

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

Governing Law:

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

DOCUMENTS INCORPORATED BY REFERENCE

The following documents, which have previously been published and have been filed with the Financial Services Authority, 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 2005 and 31 December 2006, in each case together with the auditors' reports prepared in connection therewith and the unaudited consolidated interim financial statements of the Issuer in respect of the 3 months ended 31 March 2007; and
- (b) the Articles of Association (including an English language translation thereof) of the Issuer (available at www.millenniumbcp.pt);

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

Copies of documents incorporated by reference in this Base Prospectus can be obtained from the registered offices of the Issuer and from the specified offices of the Agent and of the Common Representative for the time being.

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 for use in connection with any subsequent issue of Covered Bonds. The Issuer has undertaken to the Dealers in the Programme Agreement to comply with section 87G of the Financial Services and Markets Act 2000.

RISK FACTORS

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

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

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

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

Covered Bonds are obligations of the Issuer only

The Covered Bonds will constitute unsubordinated obligations of the Issuer secured by a special creditor privilege created under the Covered Bonds Law over the Cover Pool (as defined in *Terms and Conditions of the Covered Bonds*) maintained by the Issuer. An investment in the Covered Bonds involves a reliance on the creditworthiness of the Issuer. 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.

Economic activity in Portugal

For most of 2006, the Portuguese economy has been improving but key challenges remain ahead which may adversely affect the Issuer's financial condition.

The Issuer operates in a multi-domestic framework. Despite the increasing contribution from operations in other countries, the majority of the Issuer's income is still derived from the activities carried out in Portugal, making the Issuer's results exposed essentially to the development of the Portuguese economy.

For most of 2006, the Portuguese economy was improving but key challenges remain that may have implications for the Issuer's financial condition. The Portuguese GDP growth is estimated to have grown by 1.3% in 2006, 1 percentage point more than in 2005, but well below the average in the EU. The economic recovery is expected to unfold gradually, mainly supported by the external sector. Several factors have been contributing to contain the Portuguese economy's growth potential. Among these are: globalisation, the rise in the oil price, the uncertainty pertaining to the restrictiveness of measures needed to achieve fiscal and social security sustainability and the higher indebtedness of families and corporations.

Portugal has been facing new and strong competition in its traditional product markets from low-cost producers, namely from Asian countries, but also in the medium and higher-value added segments, especially from EU's new member states as main beneficiaries of the delocalisation of production facilities from Portugal, with negative consequences in employment levels. To react to such an environment, a progressive transformation of the economy's specialisations pattern will be required, in order to enhance higher productivity standards, which entails some adjustment costs, possibly contributing to an increase in long term unemployment and the closure of uncompetitive businesses, factors that may drive credit delinquencies up.

The Portuguese economy remains susceptible to oil market disruptions and renewed spikes on energy prices, caused by events such as geopolitical tensions, market speculation or weather related issues, due to its high dependence on foreign oil and gas and the less efficient use of energy.

Since December 2005, the European Central Bank increased rates from 2.25% to 3.50%, with immediate repercussions on the level of domestic indexers for loans in Portugal. The higher household and corporation debt levels and the wide use of variable rate loans draw attention to the exposure to interest rate risk. With official interest rates expected to remain high in the euro area, debt servicing costs are expected to move up with potential negative implications for the

financial situation of the most heavily indebted families and/or corporations, and thus weakening the Issuer's balance sheet and income.

The participation of the Portuguese economy in European Monetary Union and the deeper financial integration across Europe allowed for a permanent increase of the indebtedness levels of the domestic agents, financed through banks' increased external liabilities. The withdrawal of excess liquidity by Central Banks may induce a more risk adverse environment, reducing the propensity to invest and making it more difficult for the country to cover external financing requirements. Global imbalances persist. A disorderly correction of these, like a sudden and abrupt depreciation of US dollar assets, could hurt growth and foster financial market instability, impacting on mutual fund savings and pensions.

Despite the achievements in the consolidation of public finances, the Portuguese public deficit remains well above EU's limits. Policy initiatives implemented by authorities since mid 2005 relied primarily on revenue side measures (for example, VAT hike) and led to a fast decrease in the public deficit, from more than 6% of GDP to about 4.6%, (estimate for 2006). For 2007 and beyond, a comprehensive set of expenditure-based fiscal adjustments is being enacted, through reforms on public administration, in the social security system and on health and education spending. These efforts represent a drag on short-term growth prospects and may fall short of required objectives, demanding further restrictive policy initiatives with negative consequences on growth and, hence, on the Issuer's results.

The Portuguese banking sector has performed very favourably despite the challenging economic climate of the last few years. Business volumes have been expanding, most noteworthy in the mortgage market, which accounts for about 80% of total banks' loans to private individuals. More recently, as external demand turned more resilient, credit granted to firms has accelerated as well. Non-performing loans remain at historical lows. Banks have diversified their source of income, reigned in operating costs and enhanced risk management procedures. Notwithstanding the good performance and sound solvability, there are important risk factors that may adversely affect the Issuer's financial condition. These include households' and corporations' indebtedness levels, the exposure to the real estate/construction sector, the reliance of employees pension schemes and of other sources of income, namely asset management and other retail products, on the stock markets' performance, and the increase in net external liabilities, raising the vulnerability to financing shocks.

Terrorist attacks or an avian influenza pandemic could have disruptive consequences on both business volumes and debtors performance, affecting significantly the Issuer's income, credit quality and, hence, its financial condition.

Although the likelihood, timing and severity of such events are difficult to assess, they are prone to cause significant disruptions in economic activity, by increasing the uncertainty surrounding the economic outlook, constraining economic confidence and leading to severe disturbances in overall economic activity.

Competition

Since 1996, there has been significant expansions of personal financial services in the Portuguese banking market, resulting in a sustained development of mortgage credit, consumer loans, investment funds and unit-linked products and increased use of credit cards. The Portuguese banking market is now well developed, and includes strong and dynamic domestic and foreign competitors that incorporate a multi-product, multichannel and multi-client segmented approach. In addition, there has been significant development of internet banking operations and the use of new techniques, such as customer relationship management, which enable banks to track customers' requirements accurately. Foreign banks have also entered the Portuguese market, particularly in areas such as corporate banking, asset management, private banking and brokerage services. These factors have resulted in increased competition. Moreover, the trend of integration of European financial markets is likely to intensify, which may contribute to increased competition, namely in the areas of asset management, investment banking and online brokerage. Although the Issuer believes that it is in a strong position to continue to compete in the Portuguese market, the Issuer cannot assure potential investors that it will be able to compete effectively in the markets in which it operates, or that it will maintain or increase the level of its results of operations.

The Issuer may not be able to preserve its customer base

The Issuer's success depends on its ability to maintain customer loyalty and to offer customers a wide range of high quality, competitive products and consistently high levels of service. The Issuer has sought to achieve this objective by segmenting its customers' basis to serve the diverse needs of each customer segment better and by cross-selling the products and services of its subsidiaries through its marketing and distribution network in Portugal under a single brand – "Millennium bcp". The Issuer has also sought to maintain long term customer financial relationships through the sale of anchor products and services, such as mortgage loans, domiciliation of wages, permanent automatic payments, credit cards and saving products. Bancassurance products are also part of the wide range of products sold by the Issuer, which are managed by the insurance company "Millennium bcp Fortis", which resulted from the agreement with the Belgian-Dutch group Fortis involving the sale of 51% of the share capital and the transfer of management control of the insurers Ocidental – Companhia Portuguesa de Seguros, S.A. ("Ocidental"), Ocidental – Companhia Portuguesa de Seguros de Vida, S.A. ("Ocidental Vida") and Médis – Companhia Portuguesa de Seguros de Saúde, S.A. ("Médis") and the Pension-fund manager Pensõesgere – Sociedade Gestora de Fundos de Pensões, S.A. ("Pensõesgere"). Increased competition in the Portuguese and European banking markets via the offer of significantly lower prices and a growing importance of category killer products may impact customer behaviour patterns and loyalty. Any failure to maintain customer loyalty or to offer customers a wide range of high quality, competitive products or consistently high levels of service could have a material adverse effect on the Issuer's financial condition and results of operations. As of 31 December 2006, around 5% of the Issuer's total customer base in Portugal were also holders of its ordinary shares. If the price of the Issuer's ordinary shares were to decline, this could lead to shareholder dissatisfaction and, to the extent that such shareholders are also customers of the Group, this could result in broader customer dissatisfaction, which could, in turn, adversely affect the Issuer's financial condition and results of operations.

Credit Risk

The Issuer is exposed to the creditworthiness of its customers and counterparties. If the value of the collateral securing the Issuer's loan portfolio declines, the Issuer will be exposed to a higher credit risk and increased risk of non-recovery in the event that any loans failed to perform. The Issuer cannot guarantee that it would be able to realise adequate proceeds from collateral disposals to cover loan losses.

Despite the adverse economic environment, in recent years there has not been a deterioration of the creditworthiness of the Issuer's customers. However, if the economic growth trend continues feeble, if unemployment increases and if interest rates increase sharply, this may result in the deterioration of the credit worthiness of customers.

Notwithstanding the BCP Group's high coverage level of past due loans by provisions for impairment losses (impairment for loans losses/loans overdue by more than 90 days stood at 287.0% and impairment for loan losses/non performing loans stood at 199.8% as of 31 December 2006), the Issuer cannot assure potential investors that its level of provisions and other reserves will be adequate or that the Issuer will not have to take significant additional provisions for possible impairment losses in future periods.

Market risk

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

The Issuer currently engages in various treasury activities for its own account, including placing euro and foreign currency-denominated deposits in the inter-bank market and trading in the primary and secondary markets for government securities. Proprietary trading includes taking

positions in the fixed income and equity markets using both cash and derivative products and financial instruments. Although the Issuer's level of engagement in such activities is limited, proprietary trading involves a degree of risk. Future proprietary trading results will in part depend on market conditions and the Issuer could incur significant losses, which could adversely affect its financial condition and results of operations.

Operational risk

In the ordinary course of the Issuer's business and as a result of the Issuer's organisational structure, the Issuer is subject to certain operational risks, including interruption of service, errors, fraud by third parties, omissions, delays in providing services and risk management requirements. The Issuer continually monitors these risks by means of, among other things, advanced administrative and information systems and insurance coverage in respect of certain operational risks in the future. Any failure to execute the Issuer's risk management and control policies successfully could materially adversely affect the Issuer's financial condition and results of operations.

Technological risk

The Issuer's consolidated operations are highly dependent on computerised record-keeping, financial reporting and other systems, including point of sale monitoring and internal accounting systems, particularly following the centralisation of the Issuer's information technology systems. Since 1996, the Group has integrated its back office operations in one company, Millennium bcp – Prestação de Serviços, ACE (formerly known as ServiBanca). Millennium bcp – Prestação de Serviços was responsible for carrying out standardised back office activities, management of information technology, accounting and audit, and the strategic monitoring of the Group. Millennium bcp – Prestação de Serviços was reorganised in 2006, with the aim of rationalising the Group management. According to this reorganisation process several services previously provided by Millennium bcp Prestação de Serviços started to be provided directly by Millennium bcp. This reorganisation has not affected service or security levels as it represents only an internal reorganisation. The scope of the services provided by Millennium bcp Prestação de Serviços narrowed as a result of this transfer to Millennium bcp. Millennium bcp Prestação de Serviços continues to represent their associates regarding third parties, namely in the areas of IT, operational, administrative and procurement. The Group has also integrated the technological platforms of the different businesses it has acquired and some countries where it is present. Although the Issuer's computer systems have been evaluated and the Issuer believes its back-up facilities to be adequate, the Issuer cannot assure potential investors that it will be able to identify and correct problems related to its information technology systems, or that it will be able to implement technological improvements successfully.

Impact of regulatory changes

The Issuer operates in a highly regulated industry. The Issuer could be adversely affected by regulatory changes in Portugal, the EU or those foreign countries in which it operates, or by other political developments in or affecting Portugal, the EU or such foreign countries. The Issuer has no control over such regulatory changes or political developments. The capital adequacy requirements currently applicable to Portuguese banks are in many respects similar to the requirements imposed by the international framework for capital measurement and capital standards of banking institutions of the Basel Committee on Banking Regulations and Supervisory Practices. Recent changes have been proposed by the Basel Committee to capital requirements. The implementation of the new capital adequacy accord (Basel II) started in January 2007. The Issuer decided to keep the current approach (Basel I) for calculating its capital requirements during 2007 and apply for an IRB Advanced approach for Credit Risk and Standardised approach for Operational Risk in 2008, as allowed by the Bank of Portugal. The implementation of the new capital adequacy accord in 2008 will increase the sensitivity of capital requirements to credit risk and establish operational risk coverage requirements.

The Issuer could be adversely affected by tax changes in Portugal, the EU or those foreign countries in which it operates. The Issuer has no control over such tax changes.

Risk of the divestiture of large shareholding positions

The Issuer's share price and volatility could be affected if large shareholders reduce their stakes in the Issuer's share capital.

The Issuer may be object of an unsolicited acquisitions bid

In the context of the pan-European consolidation trend, the Issuer could be the object of an unsolicited acquisition bid. If such acquisition occurred there could be changes in current corporate strategy, main businesses, operations and resources.

The Issuer may face difficulties with its international expansion

The Group continues to pursue its internationalisation strategy, with particular emphasis on the Polish and Greek banking markets. There is no guarantee that the Group will be successful in Polish, Greek or other international markets in which it operates. In addition, such international operations are exposed to the risk of possible adverse political, governmental or economic developments in the countries in which they operate. These factors could have a material adverse affect on the Group's financial condition and results of operations. Several of the Group's international operations expose it to foreign currency risk. A decline in the value of the currencies in which some of the Group's international subsidiaries receive their income relative to the value of the euro may have an adverse effect on the Group's financial condition and results of operations.

The Issuer's liabilities to its customers exceed its liquid assets

The Issuer's primary source of funds is its retail deposit base. In recent years, however, as interest rates stood at historically low levels, customers have started to channel their individual savings away from traditional bank products, such as deposits, and towards other instruments with higher expected returns. The Issuer's other funding sources include medium and long-term bond issues, commercial paper and medium-term structured products. In addition, the Issuer has carried out various asset securitisation operations. The Issuer also borrows money in the money markets, and in recent years, the Issuer has also increased own funds through share capital increases (most recently in March 2003 and January 2006 following the conversion of the Mandatory Convertible Securities "Capital BCP 2005", which matured on 30 December 2005) and subordinated bonds. While the Issuer complies in full with the Bank of Portugal's regulations governing liquidity, the Issuer's liabilities to its customers exceed the amount of its liquid assets. As of 31 December, 2002, 2003, 2004, 2005 and 2006, this shortfall amounted to approximately EUR 15.2 billion, EUR 14.8 billion, EUR 15.1 billion, EUR 14.1 billion, EUR 15.5 billion and EUR 21.1 billion, respectively. If the Issuer is unable to borrow sufficient funds to meet its obligations to its customers and other investors, the Issuer's financial condition and results of operations will be materially adversely affected. In addition, due to the Issuer's net funding position, any rating downgrade could adversely affect the Issuer's financial condition and results of operations.

There is a risk that the Issuer's pension fund is under-funded and that the Issuer may be required to make additional contributions to the fund in the future

There is a risk that the Issuer's pension fund is under-funded. The sharp decline in the global financial markets throughout 2001 and 2002 has caused investment returns and the value of the Issuer's pension fund to decline, which determined unrecognised actuarial losses. As of December, 2006 the unrecognised actuarial losses of the Issuer's pension fund stood at EUR 1,239,889,000 and, showing a decrease from EUR 1,470,821,000 as of 31 December 2005. The reserves the Issuer has made in its consolidated financial statements for its pension liabilities are based on certain assumptions regarding morality and, accordingly, there is a risk that beneficiaries of the policy will live longer and draw more from the pension fund than has been allowed for. Within the scope of IFRS and as defined in IFRS 1 the Group decided to recalculate the actuarial calculations from the date of the set up of the pension fund. This resulted in an increase of deferred actuarial differences and shareholders' equity. Within this scope all actuarial gains and losses in excess of 10% of the value of pensions' liabilities (the corridor) are now being amortised for the remaining average working life of the employees in 20 years (previously: 10 years). On an ongoing basis, the extended amortisation period of the actuarial losses will lead to a decrease in annual charges to the profit and loss account. If the Issuer's pension fund is under-funded, the Issuer will be required to make additional contributions to the fund in the future, which could adversely affect the Issuer's financial condition and results of operations. In addition, the Issuer is required to deduct from its tier 1

capital the portion of unrecognised actuarial losses exceeding 10% of the Issuer's pension liabilities or the value of the Issuer's pension fund assets. As a result, any further declines in the value of the Issuer's pension fund assets could adversely affect its capital position.

The Issuer's risk management policies may leave it exposed to unidentified risks or an unanticipated level of risk

The Issuer is exposed to a number of risks, including, among others, market risk, credit risk, liquidity risk and operational risk. Although the Issuer has implemented risk management policies for each of the risks to which it is exposed, taking into account worst case scenarios, the policies and procedures that the Issuer employs to identify, monitor and manage these risks may not be fully effective.

Obligations under the Covered Bonds

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

Extended Maturity of the Covered Bonds

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

Benefit of special creditor privilege ("*privilégio creditório*")

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

Dynamic Nature of the Cover Pool

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

mortgage credits (and other permitted assets) comprised in the Cover Pool will change from time to time in accordance with the Covered Bonds Law. See *The Covered Bonds Law*.

Other Assets/Hedging Contracts

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

Hedging Contracts

Hedging contracts can be entered into exclusively to hedge risks such as interest rate risk, exchange rate risk and liquidity risk. The Issuer is entitled but not required to enter into hedging contracts under the Covered Bonds Law, except if the Covered Bonds and the Cover Pool are denominated in different currencies, in which case the Issuer shall hedge any rate risk coverage. See *Characteristics of the Cover Pool – Hedging Contracts*.

Value of security over residential property

As described above, 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 substituted. See *The Covered Bonds Law*.

Amortisation of Mortgage Credits

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

No Due Diligence

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

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

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

- have sufficient knowledge and experience to make a meaningful evaluation of the relevant Covered Bonds, the merits and risks of investing in the relevant Covered Bonds and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Covered Bonds and the impact such investment will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Covered Bonds, including Covered Bonds with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the currency in which such investor's financial activities are principally denominated;

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

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

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

Basel Capital Requirements Directive

The Basel Committee has issued proposals for reform of the 1988 Capital Accord and has proposed a framework which places enhanced emphasis on market discipline and sensitivity to risk. The Issuer cannot predict the precise effects of the potential changes that might result from implementation of the proposals on both its own financial performance or the impact on the pricing of Covered Bonds issued under the Programme. Potential investors in the Covered Bonds should consult their own advisers as to the consequences for them of the application of the New Basel Capital Accord proposals published by the Basel Committee on Banking Supervision.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, each member state of the EU is required, from 1 July 2005, to provide to the tax authorities of another member state details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other member state of the EU. However, for a transitional period, Belgium, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the 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) with effect from the same date. If a payment 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 would be obliged to pay additional amounts with respect to any Covered Bond as a result of the imposition of such withholding tax. If a withholding tax is imposed on payment made by a Paying Agent, the Issuer will be required to maintain a Paying Agent in an EU member state that will not be obliged to withhold or deduct tax pursuant to the Directive.

Change of law

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

The secondary market generally

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

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

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

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

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. 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 revised or withdrawn by the rating agency at any time. A rating agency may lower or withdraw its rating of the Covered Bonds and that action may reduce the market value of the Covered Bonds.

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.

FORM OF THE COVERED BONDS AND CLEARING SYSTEMS

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

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

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

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

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

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

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

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

Covered Bonds held through Interbolsa

General

Interbolsa holds securities through a centralised system (“*sistema centralizado*”) composed by interconnected securities accounts, through which such securities (and inherent rights) are held and transferred, and which allows Interbolsa to control at all times the amount of securities so held and transferred. Issuers of securities, financial intermediaries, the Bank of Portugal and Interbolsa, as the controlling entity, all participate in such centralised system.

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

In relation to each issue of securities, Interbolsa's centralised system comprises, *inter alia*, (i) the *issue account*, opened by the relevant issuer in the centralised system and which reflects the full amount of issued securities; and (ii) the *control accounts* opened by each of the financial intermediaries which participate in Interbolsa's centralised system, and which reflect the securities held by such participant on behalf of its costumers 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., the clearing system operated at Interbolsa 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 takes place on the third Business Day after the trade date and is provisional until the financial settlement that takes place at the Bank of Portugal on the settlement date.

Form of the Covered Bonds held through Interbolsa

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

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

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

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

Whilst the Covered Bonds are held through Interbolsa, payment of principal and interest in respect of the Covered Bonds will be (i) credited, according to the procedures and regulations of Interbolsa, by the relevant Paying Agent (acting on behalf of the Issuer) to the payment current-accounts held in the payment system of the Bank of Portugal by the Interbolsa Participants whose control accounts with Interbolsa are credited with such Covered Bonds and thereafter (ii) 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.

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

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

The Interbolsa Participant must, at the request of Interbolsa, inform the Paying Agent of the bank accounts to which the relevant payments shall be made. Interbolsa must 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 current account of the Paying Agent with the Bank of Portugal must be apportioned pro-rata between the accounts of the Affiliate Members of Interbolsa. After a payment has been processed, whether in full or in part, the Paying Agent must confirm that fact to Interbolsa.

Transfer of Covered Bonds held through Interbolsa

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

Covered Bonds held through Euroclear and/or Clearstream, Luxembourg

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

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

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

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

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

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

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

For these purposes, Exchange Event means in the case of the Covered Bonds that the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have

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

The following legend will appear on all Covered Bonds which have an original maturity of more than 365 days and on all receipts and interest coupons relating to such Covered Bonds.

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

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

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

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

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

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

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

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

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

holder of an interest in such Registered Global Covered Bond) may give notice to the relevant registration requesting exchange. Any such exchange shall occur not later than 10 days after the date of receipt of the first relevant notice.

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

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

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

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

Covered Bonds issued in the NGN form

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

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

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

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

FINAL TERMS FOR COVERED BONDS

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

Final Terms dated [●]

Banco Comercial Português, S.A.

Issue of [Aggregate Nominal Amount of Tranche]

**[[●] per cent./Floating Rate/Zero Coupon] Covered Bonds due [●]
under the €10,000,000,000 Covered Bonds Programme**

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

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

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions of the Covered Bonds (the “Terms and Conditions”) set forth in the Base Prospectus dated 5 June 2007 [and the supplemental Base Prospectus dated ●] which [together] constitute[s] a base prospectus for the purposes of Directive 2003/71/EC (the “Prospectus Directive”). This document constitutes the Final Terms of the Covered Bonds described herein for the purposes of 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 [and the supplemental Base Prospectus] [is] [are] available for viewing at Banco Comercial Português, S.A., Praça Dom João 1, 28, 4000-434 Porto, Portugal, and copies may be obtained from the same address.]

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

Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions of the Covered Bonds (the “Terms and Conditions”) set forth in the Base Prospectus dated 5 June 2007 [and the supplemental Base Prospectus dated [●]]. This document constitutes the Final Terms of the Covered Bonds described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus dated 5 June 2007 [and the supplemental Base Prospectus dated [●]], which [together] constitute[s] 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 5 June 2007 [and the supplemental Base Prospectus dated [●]] and are attached hereto. Full information on the Issuer and the offer of the Covered Bonds is only available on the basis of the combination of these Final Terms and the Base Prospectus dated 5 June 2007 [and the supplemental Prospectus dated [●]]. [The Base Prospectus [and the supplemental Base Prospectus] [is] [are] available for viewing at Banco Comercial Português, S.A., Praça Dom João 1, 28, 4000-434 Porto, Portugal and copies may be obtained from the same address.]

[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” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.]

1. Issuer: Banco Comercial Português, S.A.
2. (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.)]
3. Specified Currency or Currencies: [●]
4. (i) Aggregate Nominal Amount of Covered Bonds:
A. Series: [●]
B. [Tranche: [●]]
(ii) Specify whether Covered Bonds to be admitted to trading [Yes (if so, specify each Series/Tranche)/No]
5. (i) Issue Price: [●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] *(in the case of fungible issues only, if applicable)*]
(ii) [Net Proceeds (Required only for listed issues)] [●]
6. Specified Denominations: [●]
(N.B. Where Bearer Covered Bonds with multiple denominations above €[50,000] or equivalent are being used the following language should be used: "€[50,000] and integral multiples of €[1,000] in excess thereof up to and including €[99,000]. No Covered Bonds in definitive form will be issued with a denomination above €[99,000]")
7. (i) Issue Date: [●]
(ii) [Interest Commencement Date (if different from the Issue Date): [●]]
8. Maturity Date: *[specify date or (for Floating Rate Covered Bonds) Interest Payment Date falling in or nearest to the relevant month and year]*
9. Extended Maturity Date: [Applicable/Not Applicable]
[insert date] *[If applicable, the date should be that falling one year after the Maturity Date. If not applicable, insert "Not Applicable"]*.
[Extended Maturity Date must be Applicable to all issues of Covered Bonds, unless, the rating agencies which at the relevant time provide credit ratings for the Programme agree that Extended Maturity Date may be Not Applicable]
10. Interest Basis:
(i) Period to (and including) Maturity Date: [[●] per cent. Fixed Rate]
[[specify reference rate] +/- [●] per cent. Floating Rate]
[Zero Coupon]
[Index Linked Interest]
[Other (specify)]
(further particulars specified below)

- (ii) Period from (but excluding) Maturity Date up to (and including) Extended Maturity Date: [Not Applicable] / ☐ per cent. Fixed Rate] *[[specify reference rate] +/- ☐ per cent. Floating Rate]*
[Other (specify)]
(further particulars specified below)
[Insert "Not Applicable" only if Extended Maturity Date does not apply]
11. Redemption/Payment Basis: [Redemption at par]
[Index Linked Redemption]
[Instalment]
[Other (specify)]
12. Change of Interest or Redemption/ Payment Basis *[Specify details of any provision for convertibility of Covered Bonds into another interest or redemption/payment basis]*
13. Put/Call Options: [Investor Put]
[Issuer Call]
[(further particulars specified below)]
14. (i) Status of the Covered Bonds: The Covered Bonds will be direct, unconditional and senior obligations of the Issuer and rank equally with all other mortgage covered bonds issued or to be issued by the Issuer. The Covered Bonds will qualify as mortgage covered bonds for the purposes of the Covered Bonds Law.
- (ii) [Date [Board] approval for issuance of Covered Bonds obtained]: ☐
15. Method of distribution: [Syndicated/Non-syndicated]
16. Listing/Admission to Regulated Market [London Stock Exchange/specify other /None]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

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

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

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

(vi) Screen Rate Determination:

A. To Maturity Date:

- Reference Rate: [●]
- Interest Determination Date: [●] *(Second London business day prior to start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day 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 page 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 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 page 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
Other]
(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
Other] (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.]

19. Index Linked 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]/ [●]
[State "Not Applicable" unless Extended Maturity Date applies and the Covered Bonds are Index Linked Covered Bonds after the Maturity Date.]

(i) Index/Formula:

- To Maturity Date: [Give or annex details]
- From Maturity Date up to Extended Maturity Date: [Not Applicable/Give or annex details]
[State "Not Applicable" unless Extended Maturity Date applies and the Covered Bonds are Index Linked Covered Bonds after the Maturity Date.]

- (ii) Calculation Agent responsible for calculating the interest due:
- To Maturity Date: [●]
 - From Maturity Date up to Extended Maturity Date: [Not Applicable/[●]]
[State "Not Applicable" unless Extended Maturity Date applies and the Covered Bonds are Index Linked Covered Bonds after the Maturity Date.]
- (iii) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable:
- To Maturity Date: [●]
 - From Maturity Date up to Extended Maturity Date: [Not Applicable/[●]]
[State "Not Applicable" unless Extended Maturity Date applies and the Covered Bonds are Index Linked Covered Bonds after the Maturity Date.]
- (iv) Specified Period(s):
- To Maturity Date: [●]
 - From Maturity Date up to Extended Maturity Date: [Not Applicable/[●]]
[State "Not Applicable" unless Extended Maturity Date applies and the Covered Bonds are Index Linked Covered Bonds after the Maturity Date.]
- (v) Specified Interest Payment Dates:
- To Maturity Date: [●]
 - From Maturity Date up to Extended Maturity Date: [Not Applicable/[●]]
[State "Not Applicable" unless Extended Maturity Date applies and the Covered Bonds are Index Linked Covered Bonds after the Maturity Date.]
- (vi) Business Day Convention:
- To Maturity Date: [Floating Rate Convention/ Following Business Day Convention/ Modified Following Business Day Convention/Preceding Business Day Convention/ other (give details)]
 - From Maturity Date up to Extended Maturity Date: [Not Applicable/Floating Rate Convention/ Following Business Day Convention/ Modified Following Business Day Convention/Preceding Business Day Convention/other (give details)]
[State "Not Applicable" unless Extended Maturity Date applies and the Covered Bonds are Index Linked Covered Bonds after the Maturity Date.]
- (vii) Additional Business Centre(s)
- To Maturity Date: [●]
 - From Maturity Date up to Extended Maturity Date: [Not Applicable/[●]]
[State "Not Applicable" unless Extended Maturity Date applies and the Covered Bonds are Index Linked Covered Bonds after the Maturity Date.]
- (viii) Minimum Rate of Interest:
- To Maturity Date: [●] per cent. per annum
 - From Maturity Date up to Extended Maturity Date: [Not Applicable/[●] per cent. per annum]
[State "Not Applicable" unless Extended Maturity Date applies and the Covered Bonds are Index Linked Covered Bonds after the Maturity Date.]

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

PROVISIONS RELATING TO REDEMPTION

21. 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)
22. Put Option [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (i) Optional Redemption Date(s): [●]
 - (ii) Optional Redemption Amount(s) of each Covered Bond and method, if any, of calculation of such amount(s): [●] per Covered Bond of [●] Specified Denomination
 - (iii) Notice period: [●] (NB – If setting notice periods which are different to those provided in the Terms and Conditions, the Issuer is advised to consider the practicalities of distribution of information through

intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent)

23. Final Redemption Amount of each Covered Bond [[●] per Covered Bond of [●] Specified Denomination/Other/See Appendix]
24. [Early Redemption Amount of each Covered Bond payable on an event of default and/or the method of calculating the same (if required or if different from that set out in Condition 6 (*Redemption and Purchase*))]

[Applicable/Not Applicable]

GENERAL PROVISIONS APPLICABLE TO THE COVERED BONDS

25. Form of Covered Bonds:
- [Bearer Covered Bonds/Exchangeable Bearer Covered Bonds/Registered Covered Bonds/Bearer Covered Bonds held through Interbolsa/Registered Covered Bonds held through Interbolsa] *[Delete as appropriate]*
- [Temporary Bearer Global Covered Bond/ Certificate exchangeable for a permanent Global Covered Bond/ Certificate which is exchangeable for Definitive Bearer Covered Bonds/Certificates on [●] days' notice/at any time/in the limited circumstances specified in the permanent Global Covered Bond/Certificate]
- [Temporary Bearer Global Covered Bond/ Certificate exchangeable for Definitive Bearer Covered Bonds/ Certificates on [●] days' notice]
- [Permanent Global Covered Bond/Certificate exchangeable for Definitive Bearer Covered Bonds/ Certificates on [●] days' notice/at any time/in the limited circumstances specified in the Permanent Global Covered Bond/ Certificate]
- (Ensure that this is consistent with the wording in the "Form of the Covered Bonds" section in the Base Prospectus and the Covered Bonds themselves. N.B. The exchange upon notice/at any time should not be expressed to be applicable if the Specified Denomination of the Covered Bonds in paragraph 6 includes language substantially to the following effect:*
- "[€50,000] and integral multiples of [€1,000] in excess thereof up to and including [€99,000]. No Covered Bonds in definitive form will be issued with a denomination above [€99,000]".)*
26. 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)*
27. Talons for future Coupons or Receipts to be attached to Definitive Bearer Covered Bonds (and dates on which such Talons mature): [Yes/No. If yes, give details]

28. Details relating to Partly Paid Covered Bonds: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Covered Bonds and interest due on late payment: [Not Applicable/give details]
29. Details relating to Instalment Covered Bonds:
- (i) Instalment Amount(s): [Not Applicable/give details]
- (ii) Instalment Date(s): [Not Applicable/give details]
30. Redenomination applicable: [Applicable/Not Applicable] *(if Redenomination is applicable, specify the terms of the redenomination in an Annex to the Final Terms)*
31. 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

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

LISTING AND ADMISSION TO TRADING APPLICATION

These Final Terms comprise the final terms required to list and have admitted to trading the issue of the Covered Bonds described herein pursuant to the €10,000,000,000 Covered Bonds Programme of Banco Comercial Português, 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: [London Stock Exchange/other (specify)/None]
- (ii) Admission to trading: [Application has been made for the Covered Bonds to be admitted to trading on [London Stock Exchange/other (specify)/None] with effect from [●].] [Not Applicable.]
(Where documenting a fungible issue need to indicate that original securities are already admitted to trading.)
- (iii) Estimate of total expenses related to admission to trading [●]

2. Ratings

- Ratings: The Covered Bonds to be issued have been rated:
 [S & P: [●]]
 [Moody's: [●]]
 [Fitch: [●]]
(The above disclosure should reflect the rating allocated to Covered Bonds of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)

3. Notification

The Financial Services Authority [has been requested to provide/has provided – *include first alternative for an issue which is contemporaneous with the establishment or update of the Programme and the second alternative for subsequent issues*] the [include names of competent authorities of host Member States] with a certificate of approval attesting that the Base Prospectus has been drawn up in accordance with the Prospectus Directive.

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

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

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

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

- [(i) Reasons for the offer [●]
(See Use of Proceeds wording in Base Prospectus – if reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here.)]
- [(ii)] Estimated net proceeds [●]
(If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.)
- [(iii)] Estimated total expenses: [●]

6. [YIELD – Fixed Rate Covered Bonds only]

Indication of yield:

[●]

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

7. [Performance of index/formula, explanation of effect on value of investment and associated risks and other information concerning the underlying – Index Linked Covered Bonds only]

[Need to include details of where past and future performance and volatility of the index/formula can be obtained.]

[Where the underlying is an index, need to include the name of the index and a description if composed by the Issuer and, if the index is not composed by the Issuer, need to include details of where the information about the index can be obtained. Where the underlying is not an index, need to include equivalent information.]

8. Operational Information

ISIN Code:

[●]

Common Code:

[●]

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

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

Delivery:

Delivery [against/free of] payment

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

[●]

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

[[Yes] [No]

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

TERMS AND CONDITIONS OF THE COVERED BONDS

The following are the Terms and Conditions of the Covered Bonds which will be incorporated by reference into, or endorsed upon, each Global Covered Bond (as defined below) and each Definitive Bearer Covered Bond (if applicable), in the latter case only if permitted by the relevant stock exchange (if any) and agreed by the Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such Definitive Bearer Covered Bond will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Final Terms in relation to any Tranche of Covered Bonds may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Covered Bonds. The applicable Final Terms (or the relevant provisions thereof) will be incorporated by reference or endorsed upon, or attached to, each Covered Bond. Reference should be made to “Final Terms for Covered Bonds” for a description of the content of Final Terms which will specify which of such terms are to apply in relation to the relevant Covered Bonds.

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

This Covered Bond is one of a Series (as defined below) of mortgage covered bonds issued by Banco Comercial Português, S.A. (the “**Issuer**”) in accordance with the procedures set out in the Set of Agency Procedures (as defined below).

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

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

The Covered Bonds have the benefit of a set of agency procedures (such set of agency procedures as amended and/or supplemented and/or restated from time to time, the “**Set of Agency Procedures**”) dated 5 June 2007 and made and agreed by Banco Comercial Português, S.A. (acting in its capacity as Agent and Paying Agent, which expressions shall include any successors, and as Issuer) and by any subsequent agent, paying agent, transfer agent, agent bank and/or registrar appointed by the Issuer.

Interest bearing Definitive Bearer Covered Bonds have interest coupons (“**Coupons**”) and, if indicated in the applicable Final Terms, talons for further Coupons (“**Talon**”) attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Definitive Bearer Covered Bonds repayable in instalments have receipts (“**Receipts**”) for the payment of the instalments of principal (other than the final instalment) attached on issue. Registered Covered Bonds and Global Covered Bonds do not have Coupons, Receipts or Talons attached on issue.

Any reference to “**holders of Covered Bonds**” shall mean (in the case of Bearer Covered Bonds) the holders of such Covered Bonds and (in the case of Registered Covered Bonds) the persons in whose name the Covered Bonds are registered and shall, in relation to any Covered Bonds represented by a Global Covered Bond, be construed as provided below. Any reference herein to “**Receiptholders**” shall mean the holders of Receipts. Any reference herein to “**Couponholders**” shall mean the

holders of the Coupons and shall, unless the context otherwise requires, include the holders of the Talons.

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

Copies of the Set of Agency 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 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 by a holder holding one or more unlisted Covered Bonds and such holder must produce evidence satisfactory to the Issuer and the relevant Agent as to its holding of such Covered Bonds and identity. The Covered Bonds holders, the Receiptholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Set of Agency 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 Set of Agency Procedures.

Words and expressions defined in the Set of Agency 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 Set of Agency 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 Set of Agency Procedures (and, where appropriate, notice to that effect has been given to the Covered Bonds holders in accordance with these Terms and Conditions) and remain available for payment against presentation of the relevant Covered Bonds and/or Receipts and/or Coupons as applicable;
- (c) those Covered Bonds which have been purchased and cancelled under these Terms and Conditions;
- (d) those Covered Bonds which have become prescribed under these Terms and Conditions;
- (e) those mutilated or defaced Covered Bonds which have been surrendered and cancelled and in respect of which replacements have been issued pursuant to these Terms and Conditions;
- (f) (for the purpose only of ascertaining the principal amount of the Covered Bonds outstanding and without prejudice to the status for any other purpose of the relevant Covered Bonds) those Covered Bonds which are alleged to have been lost, stolen or destroyed and in respect of which replacements have been issued under these Terms and Conditions;
- (g) (if applicable) a Temporary Bearer Global Covered Bond to the extent that it has been duly exchanged for the relevant Permanent Global Covered Bond and a Permanent Global Covered Bond to the extent that it has been exchanged for the Definitive Bearer Covered Bond in each case under its provisions; and
- (h) (if applicable) any Registered Global Covered Bond to the extent that it has been exchanged for Definitive Registered Covered Bonds and any Definitive Registered Covered Bond to the extent that it has been exchanged for an interest in a Registered Global Covered Bond.

1. FORM, DENOMINATION AND TITLE

The Covered Bonds are in bearer or in registered form as specified in the applicable Final Terms and, in the case of Definitive Bearer Covered Bonds, serially numbered, in the Specified Currency

and the Specified Denomination(s). Covered Bonds of one Specified Denomination may not be exchanged for Covered Bonds of another Specified Denomination and Bearer Covered Bonds may not be exchanged for Registered Covered Bonds and *vice versa*.

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

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

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

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

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

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

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

The Covered Bonds to be issued on or after the date hereof will be issued in denomination per unit equal to or higher than €1,000 (or if the Covered Bonds are denominated in a currency other than euro, the equivalent amount in such currency) as specified in the relevant Final Terms, provided that the minimum denomination of each Covered Bond admitted to trading on a regulated market within the EEA or offered to the public in a member state of the EEA in circumstances which require the publication of a prospectus under the Prospectus Directive will be €50,000 (or if the Covered Bonds are denominated in a currency other than euro, the equivalent amount in such currency).

Subject as set out below, title to the Bearer Covered Bonds, Receipts and Coupons will pass by delivery and title to Registered Covered Bonds will pass upon registration of transfers in accordance with the provisions of the Set of Agency Procedures. The Issuer, the Paying Agents and the Common Representative will (except as otherwise required by law) deem and treat the bearer of any Bearer Covered Bond, Receipt or Coupon and the registered holder of any Registered Covered Bond as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but,

in the case of any Global Covered Bond, without prejudice to the provisions set out in the next succeeding paragraph.

2. TRANSFERS OF COVERED BONDS

The transferability of the Covered Bonds is not restricted.

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

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

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

3. STATUS OF THE COVERED BONDS

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

4. INTEREST

4.1 Interest on Fixed Rate Covered Bonds

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

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

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

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

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

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

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.
- (iii) **“sub-unit”** means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, one cent.

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

(A) *Interest Payment Dates*

Each Floating Rate Covered Bond and Index Linked Interest Covered Bond 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, 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, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (iii) the Modified Following Business Day Convention, 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, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

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

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

(B) Rate of Interest

Floating Rate Covered Bonds

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

- (i) *ISDA Determination for Floating Rate Covered Bonds*: Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this subparagraph, “**ISDA Rate**” for an Interest Period means a rate equal to the Floating Rate that would be determined by the Agent or other person specified in the applicable Final Terms under an interest rate swap transaction if the Agent or that other person were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2000 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Covered Bonds (the “**ISDA Definitions**”) and under which:

1. the Floating Rate Option is as specified in the applicable Final Terms;
2. the Designated Maturity is the period specified in the applicable Final Terms; and
3. the relevant Reset Date is either (A) if the applicable Floating Rate Option is based on the London inter-bank offered rate (LIBOR) or the Euro-zone inter-bank offered rate (EURIBOR) for a currency, the first day of that Interest Period, or (B) in any other case, as specified in the applicable Final Terms.

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

- (ii) *Screen Rate Determination for Floating Rate Covered Bonds*: Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

1. the offered quotation (if there is only one quotation on the Relevant Screen Page); or
2. the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

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

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

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

Index Linked Interest Covered Bonds

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

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

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

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

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

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

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

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

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

(E) Notification of Rate of Interest and Interest Amounts

The Agent, or where the applicable Final Terms specifies a Calculation Agent for this purpose, the Calculation Agent so specified, will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and to any Stock Exchange or other relevant competent listing

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

(F) *Certificates to be final*

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 4.2, whether by the Agent or the Calculation Agent (if applicable) shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Agent, the other Paying Agents, any Calculation Agent, the Common Representative and all holders of Covered Bonds and (in the absence of wilful default or bad faith) no liability to the Issuer, any Calculation Agent, the holders of Covered Bonds shall attach to the Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

4.3 *Accrual of interest*

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

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

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

applicable Final Terms specifies a Calculation Agent, the Calculation Agent so specified, two Business Days after the Maturity Date in respect of the first such Interest Period and thereafter as specified in the applicable Final Terms.

- (C) In the case of Covered Bonds which are Zero Coupon Covered Bonds up to (and including) the Maturity Date and for which an Extended Maturity Date is specified under the applicable Final Terms, for the purposes of this Condition 4.4 the principal amount outstanding shall be the total amount otherwise payable by the Issuer on the Maturity Date less any payments made by the Issuer in respect of such amount in accordance with these Conditions.
- (D) This Condition 4.4 shall only apply to Covered Bonds to which an Extended Maturity Date is specified in the applicable Final Terms and if the Issuer fails to redeem those Covered Bonds (in full) on the Maturity Date (or within two Business Days thereafter) and the maturity of those Covered Bonds is automatically extended up to the Extended Maturity Date in accordance with Condition 6.8.

5. PAYMENTS

5.1 *Method of payment*

Subject as provided below:

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

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

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

Payments of principal and interest in respect of Covered Bonds held through Interbolsa may only be made in euro until such date as Interbolsa accepts registration and clearing of securities denominated in currencies other than euro.

Whilst the Covered Bonds are held through Interbolsa, payment of principal and interest in respect of the Covered Bonds will be (i) credited, according to the procedures and regulations of Interbolsa, by the relevant Paying Agent (acting on behalf of the Issuer) to the payment current-accounts held in the payment system of the Bank of Portugal by the Interbolsa Participants whose control accounts with Interbolsa are credited with such Covered Bonds and thereafter (ii) 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.

5.3 *Presentation of Definitive Bearer Covered Bonds and Coupons*

- (A) Payments of principal in respect of Definitive Bearer Covered Bonds will (subject as provided below) be made in the manner provided in Condition 5.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Definitive Bearer Covered Bonds, and payments of interest in respect of Definitive Bearer Covered Bonds will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction)).
- (B) Payments of instalments of principal (if any) in respect of Definitive Bearer Covered Bonds, other than the final instalment, will (subject as provided below) be made in the manner provided in Condition 5.1 above against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Receipt in accordance with the preceding paragraph. Payment of the final instalment will be made in the manner provided in Condition 5.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Bearer Covered Bond in accordance with the preceding paragraph. Each Receipt must be presented for payment of the relevant instalment together with the Definitive Bearer Covered Bond to which it appertains. Receipts presented without the Definitive Bearer Covered Bond to which they appertain do not constitute valid obligations of the Issuer. Upon the date on which any Definitive Bearer Covered Bond becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.
- (C) Fixed Rate Covered Bonds in definitive bearer form should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 12 years after the Relevant Date (as defined in Condition 8 (*Prescription*)) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 8 (*Prescription*)). Upon the date on which any Fixed Rate Covered Bond in definitive bearer form becomes due and repayable, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.
- (D) Upon the date on which any Floating Rate Covered Bond or Index Linked Interest Covered Bonds in definitive bearer form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof.
- (E) If the due date for redemption of any Definitive Bearer Covered Bond is not an Interest Payment Date, interest (if any) accrued in respect of such Covered Bond from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant Definitive Bearer Covered Bond.

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

Except if otherwise specified in the applicable Final terms, payments of principal and interest (if any) in respect of Covered Bonds represented by any Global Covered Bond in bearer form held through Euroclear or Clearstream, Luxembourg (as the case may be) will (subject as provided below) be made in the manner specified above in relation to Definitive Bearer Covered Bonds and otherwise in the manner specified in the relevant Global Covered Bond against presentation or surrender, as the case may be, of such Global Covered Bond at the

specified office of any Paying Agent outside the United States. A record of each payment made against presentation or surrender of any Global Covered Bond in bearer form, distinguishing between any payment of principal and any payment of interest, will be made on such Global Covered Bond by the Paying Agent to which it was presented and such record shall be prima facie evidence that the payment in question has been made.

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

- (A) Payments of principal in respect of each Registered Covered Bond (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Registered Covered Bond at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Registered Covered Bond appearing in the register of holders of the Registered Covered Bonds maintained by the Registrar (the Register) at the close of business on the third business day (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) before the relevant due date. Notwithstanding the previous sentence, if (i) a holder does not have a Designated Account or (ii) the principal amount of the Covered Bonds held by a holder is less than €250,000 (or its approximate equivalent in any other Specified Currency), payment will instead be made by a cheque in the Specified Currency drawn on a Designated Bank (as defined below). For these purposes, Designated Account means the account (which, in the case of a payment in Japanese yen to a non-resident of Japan, shall be a non-resident account) maintained by a holder with a Designated Bank and identified as such in the Register and Designated Bank means (in the case of payment in a Specified Currency other than euro) a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney or Auckland, respectively) and (in the case of a payment in euro) any bank which processes payments in euro.
- (B) Payments of interest in respect of each Registered Covered Bond (whether or not in global form) will be made by a cheque in the Specified Currency drawn on a Designated Bank and mailed by uninsured mail on the business day in the city where the specified office of the Registrar is located immediately preceding the relevant due date to the holder (or the first named of joint holders) of the Registered Covered Bond appearing in the Register at the close of business on the fifteenth day (whether or not such fifteenth day is a business day) before the relevant due date (the Record Date) at his address shown in the Register on the Record Date and at his risk. Upon application of the holder to the specified office of the Registrar not less than three business days in the city where the specified office of the Registrar is located before the due date for any payment of interest in respect of a Registered Covered Bond, the payment may be made by transfer on the due date in the manner provided in the preceding paragraph. Any such application for transfer shall be deemed to relate to all future payments of interest (other than interest due on redemption) in respect of the Registered Covered Bonds which become payable to the holder who has made the initial application until such time as the Registrar is notified in writing to the contrary by such holder. Payment of the interest due in respect of each Registered Covered Bond on redemption will be made in the same manner as payment of the principal amount of such Registered Covered Bond.
- (C) Holders of Registered Covered Bonds will not be entitled to any interest or other payment for any delay in receiving any amount due in respect of any Registered Covered Bond as a result of a cheque posted in accordance with this Condition arriving after the due date for payment or being lost in the post. No commissions or expenses shall be charged to such holders by the Registrar in respect of any payments of principal or interest in respect of the Registered Covered Bonds.
- (D) None of the Issuer or the Agents will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Registered Global Covered Bonds or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

5.6 *Payment Day*

If the date for payment of any amount in respect of any Covered Bond or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, Payment Day means any day which (subject to Condition 8 (*Prescription*)) is:

- (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:
 - (A) the relevant place of presentation; or
 - (B) 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.

5.7 *Interpretation of principal*

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

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

6. REDEMPTION AND PURCHASE

6.1 *Final redemption*

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

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

If Issuer Call Option is specified in the applicable Final Terms, the Issuer may, having given (unless otherwise specified, in the applicable Final Terms) not less than 30 nor more than 60 days' notice to the Common Representative, the Agent and, in accordance with Condition 11 (*Notices*), the holders of Covered Bonds (which notice shall be irrevocable) redeem all or some only (as specified in the applicable Final Terms) of the Covered Bonds then outstanding on any Optional Redemption Date(s) and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Final Terms together, if applicable, with interest accrued to (but excluding) the relevant Optional Redemption Date(s). Upon expiry of such notice, the Issuer shall be bound to redeem the Covered Bonds accordingly. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount in each case as may be specified in the applicable Final Terms. In the case of a partial redemption of Covered Bonds, either (whilst the Covered Bonds are held through Interbolsa) the nominal amount of all outstanding Covered Bonds will be redeemed proportionally or (whilst the Covered Bonds are held through Euroclear and/or Clearstream, Luxembourg) the Covered Bonds to be redeemed (the "**Redeemed Covered Bonds**") will be selected individually in accordance with the rules of the relevant Clearing Systems not more than 15 days prior to the date fixed for redemption (such date of selection being hereinafter called the Selection Date).

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

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

6.4 *Instalments*

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

6.5 *Purchases*

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

6.6 *Cancellation*

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

6.7 *Late payment on Zero Coupon Covered Bonds*

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

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

where:

RP means the Reference Price; and

AY means the Accrual Yield expressed as a decimal; and

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

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

6.8 *Extension of Maturity up to Extended Maturity Date*

- (A) An Extended Maturity Date shall be specified in the applicable Final Terms as applying to each Series of Covered Bonds unless the rating provided by the rating agencies appointed by the Issuer at the relevant time in respect of the Programme is adversely affected by such Extended Maturity provisions.
- (B) If an Extended Maturity Date is specified in the applicable Final Terms as applying to a Series of Covered Bonds and the Issuer fails to redeem all of those Covered Bonds in full on the Maturity Date or within two Business Days thereafter, the maturity of the Covered Bonds and the date on which such Covered Bonds will be due and repayable for the purposes of these Terms and Conditions will be automatically extended up to but no later than the Extended Maturity Date, subject as otherwise provided for in the applicable Final Terms. In that event, the Issuer may redeem all or any part of the principal amount outstanding of the Covered Bonds on an Interest Payment Date falling in any month after the Maturity Date up to and including the Extended Maturity Date or as otherwise provided for in the applicable Final Terms. The Issuer shall give to the holders of Covered Bonds (in accordance with Condition 11(*Notices*)), the Agent and the other Paying Agents, notice of its intention to redeem all or any of the principal amount outstanding of the Covered Bonds in full at least five Business Days prior to the relevant Interest Payment Date or, as applicable, the Extended Maturity Date. Any failure by the Issuer to notify such persons shall not affect the validity or effectiveness of any redemption by the Issuer on the relevant Interest Payment Date or as applicable, the Extended Maturity Date or give rise to rights in any such person.
- (C) In the case of Covered Bonds which are Zero Coupon Covered Bonds up to (and including) the Maturity Date to which an Extended Maturity Date is specified under the applicable Final Terms, for the purposes of this Condition 6.8 the principal amount outstanding shall be the total amount otherwise payable by the Issuer on the Maturity Date less any payments made by the Issuer in respect of such amount in accordance with these Terms and Conditions.
- (D) Any extension of the maturity of Covered Bonds under this Condition 6.8 shall be irrevocable. Where this Condition 6.8 applies, any failure to redeem the Covered Bonds on the Maturity Date or any extension of the maturity of Covered Bonds under this Condition 6.8 shall not constitute an event of default for any purpose or give any holder

of Covered Bonds any right to receive any payment of interest, principal or otherwise on the relevant Covered Bonds other than as expressly set out in these Terms and Conditions.

- (E) In the event of the extension of the maturity of Covered Bonds under this Condition 6.8, interest rates, interest periods and interest payment dates on the Covered Bonds from (and including) the Maturity Date to (but excluding) the Extended Maturity Date shall be determined and made in accordance with the applicable Final Terms and Condition 4.4.
- (F) If the Issuer redeems part and not all of the principal amount outstanding of Covered Bonds on an Interest Payment Date falling in any month after the Maturity Date, the redemption proceeds shall be applied rateably across the Covered Bonds and the principal amount outstanding on the Covered Bonds shall be reduced by the level of that redemption.
- (G) If the maturity of any Covered Bonds is extended up to the Extended Maturity Date in accordance with this Condition 6.8, subject to otherwise provided for in the applicable Final Terms, for so long as any of those Covered Bonds remains in issue, the Issuer shall not issue any further mortgage covered bonds, unless the proceeds of issue of such further mortgage covered securities are applied by the Issuer on issue in redeeming in whole or in part the relevant Covered Bonds in accordance with the terms hereof.
- (H) This Condition 6.8 shall only apply to Covered Bonds to which an Extended Maturity Date is specified in the applicable Final Terms and if the Issuer fails to redeem those Covered Bonds in full on the Maturity Date (or within two Business Days thereafter).

7. TAXATION

7.1. *Payments free of taxes*

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

7.2 *No payment of additional amounts*

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

7.3 *Taxing Jurisdiction*

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

7.4 *Tax Deduction not event of default*

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

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 therefor, 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. INSOLVENCY EVENT 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 each at their Early Redemption Amount together with accrued interest.

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

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 Document unless the Common Representative, having become bound so to proceed, fails so to do within a reasonable time and such failure shall be continuing.

10. AGENT, PAYING AGENTS AND REGISTRAR

- (A) The names of the Agent, the Paying Agent and the initial Registrar (only applicable whilst the Covered Bonds are held through Euroclear and/or Clearstream, Luxembourg) and their initial specified offices are set out below. In the event of the appointed office of any such bank being unable or unwilling to continue to act as the Agent, or failing duly to determine the Rate of Interest, if applicable, or to calculate the Interest Amounts for any Interest Period, the Issuer shall appoint such other bank to act as such in its place.
- (B) The Agent may not resign its duties or be removed from office without a successor having been appointed as aforesaid. The Issuer is entitled to vary or terminate the appointment of any Paying Agent or the Registrar and/or appoint additional or other Paying Agents or the Registrar and/or approve any change in the specified office through which any Paying Agent or the Registrar acts, provided that:
 - (i) there will at all times be an Agent and, in the case of Registered Covered Bonds held through Euroclear and/or Clearstream, Luxembourg, a Registrar;
 - (ii) the Issuer will, so long as any of the Covered Bonds is outstanding, maintain a Paying Agent (which may be the Agent) having a specified office in a city approved by the Common Representative in continental Europe;
 - (iii) so long as any of the Covered Bonds are listed on any Stock Exchange or admitted to trading by any other relevant authority, there will at all times be a Paying Agent with a specified office in such place as may be required by the rules and regulations of the relevant Stock Exchange or as the case may be, other relevant authority;
 - (iv) the Issuer will ensure that it maintains a Paying Agent in a member state of the EU that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other Directive 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.

11. NOTICES

All notices regarding the Covered Bonds shall be valid if published in a leading English language daily newspaper of general circulation in the United Kingdom. It is expected that such publication will be made in the *Financial Times* or another daily newspaper in the United Kingdom approved by the Trustee. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any other stock exchange (or any other relevant authority) on which the Covered Bonds are for the time being listed. Any such notice will be deemed to have been given on the date of the first publication in all the relevant newspapers.

All notices regarding the Covered Bonds shall comply with the applicable Portuguese law requirements.

While the Covered Bonds are deposited with a common depositary for Euroclear and Clearstream, Luxembourg, notices to the holders of the Covered Bonds may be given by delivery of the relevant notice to Euroclear and Clearstream, Luxembourg and, in addition, for so long as any Covered Bonds are listed on a stock exchange and the rules of that stock exchange (or any other relevant authority) so require, such notice will be published in a daily newspaper of general circulation in the place or places required by that stock exchange (or any other relevant authority). Any such notice shall be deemed to have been given to the holders of the Covered Bonds on the seventh day after the day on which the said notice was given to Euroclear and Clearstream, Luxembourg, unless otherwise specified in the Final Terms.

12. MEETINGS OF HOLDERS OF COVERED BONDS

- (A) The Portuguese Companies Code contains provisions for convening meetings of the holders of Covered Bonds to consider any matter attributed to them by law and in their common interest (which provisions are described and supplemented in the Common Representative Appointment Agreement), including the modification by Resolution of these Terms and Conditions or the provisions of the Common Representative Appointment Agreement.
- (B) The quorum at any meeting convened to vote on: (i) a Resolution not regarding a Reserved Matter will be any person or persons holding or representing whatever the Principal Amount Outstanding of the Covered Bonds then outstanding; or (ii) a Resolution regarding a Reserved Matter of the Covered Bonds, will be any person or persons holding or representing at least 50 per cent. of the Principal Amount Outstanding of the Covered Bonds then outstanding so held or represented or, at any adjourned meeting, any person being or representing whatever the Principal Amount Outstanding of the Covered Bonds then outstanding. Each Covered Bond grants its holder one vote.
- (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; (vi) to amend this definition; and (vii) any other matter required by law to be approved by the majorities set out in Condition 12(C)(ii);

- (D) A Resolution approved at any meeting of the holders of Covered Bonds of a Series shall, subject as provided below, be binding on all the holders of Covered Bonds of such Series, whether or not they are present at the meeting. Pursuant to the Common Representative Appointment Agreement, the Common Representative may convene a single meeting of the

holders of Covered Bonds of more than one Series if in the opinion of the Common Representative there is no conflict between the holders of such Covered Bonds, in which event the provisions of this paragraph shall apply thereto *mutatis mutandis*.

- (E) Notwithstanding the provisions of the immediately preceding paragraph, any Resolution to direct the Common Representative to accelerate the Covered Bonds pursuant to Condition 9 (*Insolvency Event 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 Common Representative or, if it refuses to convene such a meeting, by the Chairman of the General Meeting of Shareholders of the Issuer; if both the Common Representative and the Chairman of the General Meeting of Shareholders of the Issuer refuses to convene the meeting, then 5% of the holders of Covered Bonds of any Series may petition the court to order a meeting to be convened.
- (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, the Common Representative is of the opinion that the interests of the holders of Covered Bonds of any one or more Series would be materially prejudiced thereby, the Common Representative shall not exercise such powers and discretions without the approval of such holders of Covered Bonds by a Resolution or by a written resolution of such holders of Covered Bonds of at least the majority of the Principal Amount Outstanding of Covered Bonds of the relevant Series then outstanding.
- (B) The Common Representative shall not be required to expend its own funds or otherwise incur or risk incurring any liability in the performance of its duties or in the exercise of any of its rights, powers, authorities or discretions if it has grounds for believing the repayment of such funds is not reasonably assured to it under the Covered Bonds Law or if it has not been provided with adequate indemnity against or security for such risk or liability. Notwithstanding any Programme Resolution or any other Resolution approved at any meeting or any written resolution of any holders of Covered Bonds, the Common Representative may (i) refrain from taking any action until it has been provided with sufficient funds or adequate indemnity against or security for any liability it may incur as a result of any such actions and (ii) refrain from doing anything which might in its opinion be contrary to any law of any jurisdiction or which might otherwise render it liable to any person and (iii) do anything which is in its opinion necessary to comply with any such law, and in no circumstances shall be liable to the holders of Covered Bonds for any consequences of such actions or inaction. The Common Representative Appointment Agreement contains further provisions for the indemnification of the Common Representative and for its relief from responsibility.

14. REPLACEMENT OF COVERED BONDS, COUPONS AND TALONS

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

15. OVERCOLLATERALISATION, VALUATION OF COVER POOL AND ISSUER COVENANTS

15.1 Maintenance of overcollateralisation

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

- (i) the Overcollateralisation Percentage shall not, for so long as there are Covered Bonds outstanding, be reduced by the Issuer below 105.26 per cent.; and
- (ii) without prejudice to (i) above, the Issuer shall not at any time reduce the 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 Current Property Value, in case of a Property intended primarily for residential purposes, or 60 per cent. of the Current Property Value, in case of a Property intended primarily for commercial purposes;
- (B) *Asset Cover*: the aggregate value of the Other Assets may not exceed 20 per cent. of the aggregate value of the Cover Pool;
- (C) *Average Maturity*: the remaining average Maturity of all outstanding Covered Bonds is at all times shorter than the remaining average Maturity of the Cover Pool entered in the Register;
- (D) *Interest Cover*: the total amount of interest receivable on the Cover Pool will at all times be at least equal to or exceed the total amount of interest payable on the outstanding Covered Bonds;
- (E) *Valuations*: all the required valuations of Covered Bonds, Mortgage Credits, Hedging Contracts, Other Assets and Properties will be made in compliance with the requirements of the Covered Bonds Law and the Bank of Portugal Regulations (in particular Regulation 5/2006 and Regulation 6/2006);
- (F) *Cover Pool Monitor*: the Cover Pool Monitor will be provided with all necessary elements and information to monitor compliance by the Issuer of this Condition 15 in accordance with the Covered Bonds Law;
- (G) *Mortgage Credits*: the Mortgage Credits included in the Cover Pool are not Non-Performing Mortgage Credits; and
- (H) *Liabilities*: The net present value of the liabilities arising from issues of Covered Bonds cannot exceed the net present value of the Cover Pool, including any Hedging Contracts. This ratio must also be met for 200 basis points parallel shifts of the yield curve.

16. FURTHER ISSUES

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

17. GOVERNING LAW

The Common Representative Appointment Agreement, the Set of Agency Procedures, the Covered Bonds and the other Programme Documents are governed by, and shall be construed in accordance with, Portuguese law unless specifically stated to the contrary.

18. DEFINITIONS

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

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

“Agent” means Banco Comercial Português, S.A., in its capacity as Agent with head office at Praça Dom João I, 28, 4000-434 Porto, Portugal.

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

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

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

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

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

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

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

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

“Cover Pool Monitor” means KPMG & Associados – SROC, SA, member of the Portuguese Institute of Statutory Auditors (*“Ordem dos Revisores Oficiais de Contas”*), registered with the CMVM with registration number 9093, with registered office at Edifício Monumental, Av. Praia da Vitória 71 – A, 11º, 1069-006 Lisbon.

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

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

“Current Property Value” means, in relation to a Property securing a Mortgage Credit, the updated Property Valuation of such Property.

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

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

“Euro”, **“€”** or **“euro”** means the lawful currency of member states of the European Union that adopt the single currency introduced in accordance with the Treaty.

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

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

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

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

“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.

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

“Loan to Value” means, in respect of a Mortgage Credit, the ratio of the aggregate Value of such Mortgage Credit to the Current 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 in 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 equal to or higher than the minimum rating required at any time by the Rating Agencies, provided that such minimum rating shall in any event be at least equal to “A-” or equivalent; and
- (c) other assets complying simultaneously with the requisites of low risk and high liquidity as defined by the Bank of Portugal;

For the avoidance of doubt, the Other Assets do not include any cash collateral that may be transferred under the Hedge 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 the 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 Set of Agency Procedures together with any successor or additional paying agents appointed from time to time in connection with the Covered Bonds under the Set of Agency Procedures.

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

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

“Property Valuation” means, in relation to any Property:

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

“Receipts” means the principal receipts related to the Definitive Bearer Covered Bonds.

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

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

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

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

“Regulation 5/2006” means the regulatory notice (“Aviso”) no. 5/2006 issued by the Bank of Portugal and published on 10 October 2006, relating to the valuation of real estate assets serving as security for mortgage credits comprised in cover pools allocated to the issue of mortgage covered bonds in accordance with the Covered Bonds Law.

“Regulation 6/2006” means the regulatory notice (“Aviso”) no. 6/2006 issued by the Bank of Portugal and published on 10 October 2006, relating to the prudential limits applicable in relation to the issue of mortgage covered bonds in accordance with the Covered Bonds Law.

“Regulation 7/2006” means the regulatory notice (“Aviso”) no. 7/2006 issued by the Bank of Portugal and published on 10 October 2006, relating to the weighting coefficient applicable to the ownership of covered bonds issued in accordance with the Covered Bonds Law.

“Regulation 8/2006” means the regulatory notice (“Aviso”) no. 8/2006 issued by the Bank of Portugal and published on 10 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; (vi) to amend this definition; and (vii) any other matter required by law to be approved by the majorities set out in Condition 12(C)(ii).

“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.

“Set of Agency Procedures” means the set of agency procedures (such set of agency procedures as amended and/or supplemented and/or restated from time to time) dated 5 June 2007 and made and agreed by Banco Comercial Português, S.A., in its capacity as Agent, Paying Agent and the Issuer and agreed to by any subsequent agent, paying agent, transfer agent, agent bank and/or registrar appointed by the Issuer.

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

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

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

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

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

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

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

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

“Treaty” means the treaty establishing the European Communities, as amended by the Treaty on European Union.

“Value” means:

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

CHARACTERISTICS OF THE COVER POOL

INTRODUCTION – CAPACITY TO ISSUE COVERED BONDS

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

ISSUER REQUIRED TO MAINTAIN COVER POOL

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

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

The Issuer is required, as soon as practicable after becoming aware that it has contravened the provisions of the Covered Bonds Law, to 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

- (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.

“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 in securities eligible for credit transactions in the Eurosystem (which is the monetary authority of the euro area which comprises the European Central Bank and the national central banks of the EU member states whose currency is the euro);
- (b) current or term account deposits with credit institutions (which are not in a control or group relationship with the Issuer) having a rating equal to or higher than the minimum rating required at any time by the Rating Agencies, provided that such minimum rating shall in any event be at least equal to “A-” or equivalent; and
- (c) other assets meeting both the low risk and high liquidity requirements of the Bank of Portugal Regulations.

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

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

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

HEDGING CONTRACTS

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

Pursuant to the requirements of the Covered Bonds Law, any such hedging contract can only be entered into (i) in a regulated market of an EU Member State, or (ii) 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 must enter into Hedging Contracts for the purpose of hedging any currency exchange risk.

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

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

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

Under the terms of the proposed Hedging Contracts to be entered into with the Hedge Counterparty, among other termination events, if the rating of any Hedge Counterparty short-term unsecured, unsubordinated debt obligations falls below "F1" by Fitch or "A-1" by S&P, and as a result of such downgrade the then current rating of the Covered Bonds is downgraded or placed under review for possible downgrade, or the rating of any Hedge Counterparty long-term unsecured, unsubordinated debt obligations falls below "A" by Fitch, "A" by S&P, and as a result of such downgrade the then current rating of the Covered Bonds is downgraded or placed under review for possible downgrade, or "A3" by Moody's (or ceases to be rated) at any time, the Hedge Counterparty will be required to take certain remedial measures which may include: (i) providing collateral for its obligations under the Hedging Contract; (ii) arranging for its obligations under the Hedging Contracts to be transferred to an entity with the ratings required by the relevant rating

agency; (iii) procuring another entity with the ratings required by the relevant rating agency to become co-obligor in respect of its obligations under the Hedging Contracts; or (iv) taking such other action as it may agree with the relevant rating agency. A failure to take such steps will allow the Issuer to terminate the Hedging Contracts.

LOAN-TO-VALUE RESTRICTIONS

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

WEIGHTED AVERAGE TERM TO MATURITY

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

OVERCOLLATERALISATION

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

In compliance with the above legal requirements, Condition 15 (*Overcollateralisation, Valuation of Cover Pool and Issuer Covenants*) requires the Issuer to over-collateralise the Cover Pool with respect to outstanding Covered Bonds at a minimum level of 105.26 per cent. or such other percentage as may be selected by the Issuer from time to time and notified to the Cover Pool Monitor, provided that: (i) the Overcollateralisation Percentage shall not, for so long as there are Covered Bonds outstanding, be reduced by the Issuer below 105.26 per cent.; and (ii) without prejudice to (i) above, the Issuer shall not at any time reduce the 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 by the Issuer and the Cover Pool Monitor of the level of overcollateralisation referred to 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, together with accrued but unpaid 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 Issuer and the Cover Pool Monitor shall use the exchange rates published by the European Central Bank as a reference.

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

COMPLIANCE WITH FINANCIAL REQUIREMENTS

The Cover Pool Monitor must monitor the Issuer's compliance with the financial requirements established in the Covered Bonds Law and in the Bank of Portugal Regulations described in this section. The Issuer must, as soon as practicable after becoming aware that it has failed to comply

with any provisions of the Covered Bonds Law summarised herein (or when it is reasonable to expect that they will not be complied with), take all steps to comply with that provision, by undertaking one or more of the following procedures:

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

VALUATION OF COVER POOL

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

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

Valuation of Properties

General Overview

The value of each Property associated with a Mortgage Credit comprised in the Cover Pool corresponds to the commercial value of such Property, determined in accordance with prudent criteria and taking into consideration (i) the sustainable long term characteristics of such Property, (ii) the standard conditions of the local market, (iii) the current use of the relevant Property, and (iv) any alternative uses of the Property in question.

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

Valuation by expert

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

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

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

The real estate valuation experts appointed from time to time by the Issuer to conduct the required valuation of Properties shall be independent and be adequately qualified and experienced for the performance of their functions. The Issuer may not appoint a real estate valuation expert with any potential conflicts of interest, notably where there is (i) any specific interest of the real

estate valuation expert in the Property subject to the valuation, (ii) any relationship, commercial or personal, with the borrower of the Mortgage Credit related to the Property subject to valuation, or (iii) where the remuneration of the valuation expert is dependent on the valuation of the relevant Property.

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

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

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

Methods of valuation

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

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

Valuation report

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

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

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

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

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

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

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

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

The Issuer shall provide the Cover Pool Monitor with all information necessary for the Cover Pool Monitor to supervise compliance by the Issuer with the requirements set forth in the Covered Bonds Law and in Regulation 5/2006 relating to the valuation of the Properties securing the Mortgage Credits comprised in the Cover Pool.

Valuation of Other Assets

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

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

Insurance

Pursuant to the Covered Bonds Law, if any property mortgaged as security for payment of interest and principal in relation to a mortgage credit asset comprised in the Cover Pool does not have an adequate insurance policy contracted by the relevant owner, the Issuer must obtain such insurance coverage adequate to the risks inherent to the relevant property. The Issuer must bear the costs of such insurance. In any case, the insurance policy attached to any property included in the Cover Pool must provide for a full coverage, allowing, in case of total loss, for such property to be rebuilt. Any compensation due under any such insurance policies must be paid directly to the Issuer, up to the limit of the relevant Mortgage Credit.

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 must 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; and
- (v) the reference regarding the definitive inscription of the mortgages in the corresponding real estate registry.

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

Special creditor privilege

Under the Covered Bonds Law, the holders of Covered Bonds enjoy a special creditor privilege over the Cover Pool (including the Mortgage Credits, the Other Assets and the Hedging Contracts) with preference over any other general creditor, in relation to the repayment of principal and payment of interest due under the Covered Bonds. Pursuant to the Covered Bonds Law, this special creditor privilege applies automatically for the benefit of the holders of Covered Bonds, the Common Representative and the Hedge Counterparties and is not subject to registration.

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

INSOLVENCY OF THE ISSUER

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

The Cover Pool will, in such an event, be separated from the Issuer's insolvency estate so as to be autonomously managed until full payment of the amounts due to the holders of Covered Bonds and the Other Preferred Creditors. 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 voluntary dissolution and winding-up of the Issuer, which shall be submitted to the Bank of Portugal pursuant to article 35-A of the Credit Institutions General Regime, shall identify a Substitute Credit Institution appointed to (i) manage the Cover Pool allocated to the outstanding Covered Bonds and (ii) ensure that the payments of any amounts due to the holders of such Covered Bonds are made. Such plan shall also describe the general framework and conditions under which those actions will be rendered by the Substitute Credit Institution.

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

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

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

- (i) immediately upon being appointed, prepare an opening balance sheet in relation to the Cover Pool, supplemented by the corresponding explanatory notes;
- (ii) perform all acts and things necessary or desirable for the prudent management of the Cover Pool and respective guarantees in order to ensure the timely payment of all amounts due to holders of Covered Bonds including, without limitation:
 - a. selling the Mortgage Credits comprised in the Cover Pool;
 - b. ensuring the timely collection in respect of the Mortgage Credits comprised in the Cover Pool;
 - c. performing administrative services in connection with such Mortgage Credits;
- (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, has been appointed by the Issuer as representative of the holders of the Covered Bonds pursuant to Article 14 of the Covered Bonds Law and in accordance with the Terms and Conditions and the terms of the Common Representative Appointment Agreement.

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

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

COVER POOL MONITOR

APPOINTMENT OF A COVER POOL MONITOR

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

Pursuant to the Covered Bonds Law, the Cover Pool Monitor must be an independent auditor registered with the CMVM. For these purposes, an independent auditor must be an auditor which is not related with or associated to any group of interests within the issuing entity and is not in a position that hinders its independent analysis and decision-making process, notably in light of (i) holding 2 per cent. or more of the issued share capital of the Issuer, either directly or on behalf of a third party; or (ii) having been elected as member of the audit bodies of the Issuer 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 5 June 2007, the Issuer appointed KPMG & Associados – SROC, SA, as Cover Pool Monitor. KPMG & Associados – SROC, SA. is registered with the CMVM under registration number 9093.

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

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

In the performance of its duties, the Cover Pool Monitor must produce an annual report with an assessment of the Issuer’s compliance with the requirements established in the Covered Bonds Law and in the Bank of Portugal Regulations, in particular those requirements relating to the level of collateralisation, the loan-to-value ratios limitations and the valuation of assets comprised in the Cover Pool. The Cover Pool Monitor 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 must notify the Issuer, as soon as reasonably practicable, after becoming aware that the Issuer has contravened any of the provisions of the Covered Bonds Law and/or that any of the Requirements of the Cover Pool are not being complied with. If the situation remains unremedied within 10 business days after such notification, the Cover Pool Monitor will notify the Arrangers and the relevant Dealers of the contravention or non-compliance. For the purposes of this notification, the Cover Pool Monitor will develop quarterly procedures to be defined with the Issuer.

The Covered Bonds Law empowers the Bank of Portugal to promulgate, by regulatory notice (“*Aviso*”), requirements applicable to the content, format and disclosure of any reports of the Cover Pool Monitor.

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

A. History and Development of the Issuer

Overview

Millennium bcp (“BCP”, “Millennium”, “Banco Comercial Português” or the “Issuer”) is the main bank within the Group, the largest banking group in Portugal in terms of loans to customers and number of branches and the second largest in terms of total assets and customer deposits, as of 30 June 2006 (based on data from the Portuguese Banking Association). The Group is engaged in a wide variety of banking and related financial services activities, in Portugal and abroad. In Portugal, the Group’s operations are primarily retail banking, but it offers a range of additional financial services, including investment banking, mortgage lending, consumer credit, specialised credit, asset management and insurance. Internationally, the Group operates in a small number of countries with high growth potential, targeting in particular Poland and Greece, and in a number of other countries that have a close historical connection with Portugal or large communities of Portuguese origin.

On 31 March, 2007, the Group had total assets of 79,145 million euros and total customers’ funds (consisting of amounts due to customers including securities, assets under management and capitalisation insurance) of 57,302 million euros. Net loans amounted to 57,991 million euros. The Group’s capital ratio stood at 11.0 per cent. on 31 March, 2007 according to Bank of Portugal rules (tier one: 7.0 per cent.).

Based on the latest available data from the Portuguese Banking Association, the Issuer accounted for 21.6 per cent. of total assets, 24.8 per cent. of loans to customers and 22.8 per cent. of customers’ deposits in the Portuguese banking sector on 30 June, 2006. In addition, on 31 December, 2006, the Issuer was one of the largest companies listed on Euronext Lisbon in terms of market capitalisation (10,112 million euros).

The Issuer’s registered offices are located at Praça Dom João I, 28, 4000-295 Porto, with telephone number +351 213 211 000.

Issuer History

The Issuer was incorporated on 25 June, 1985 as a limited liability company (“*sociedade anónima*”) with a single register and fiscal number of 501 525 882 organised under the laws of the Portuguese Republic, following the deregulation of the Portuguese banking industry that permitted the incorporation of privately owned commercial banks. The Issuer was founded with the support of a group of over 200 founding shareholders and a team of experienced banking professionals who sought to capitalise upon the opportunity to form an independent financial institution, operating primarily in Portugal, that would serve the underdeveloped domestic financial market in areas and in a manner previously unexplored by the state-owned banks. The Issuer implemented a clearly defined strategy, based upon intensive market research, which was focused on:

- segmentation of the markets and quality of service directed to the specific needs of each such market;
- integrated delivery and cross selling of financial services;
- modern bank operating systems;
- innovative marketing;
- experienced management; and
- ensuring adequate capital resources in anticipation of investments and asset expansion.

In pursuit of the Issuer’s strategy of market segmentation, key market segments have been identified over time. Until 2003, these segments were served through autonomous distribution networks. These networks operated under different brands: Individuals & Businesses, Private Banking, Corporate Retail, Corporate Banking, NovaRede, Atlântico and SottoMayor. In October 2003, the Issuer replaced these various brands with “Millennium bcp”, a single brand name.

The first stage of the BCP Group development was characterised primarily by organic growth and, until 1994, the Issuer was able to increase significantly its share of the Portuguese financial services market by exploiting the market opportunities presented by deregulation. After 1994, competition in the domestic banking market intensified following the modernisation of existing financial institutions and the entry of new foreign and domestic deposit taking banks and non-deposit taking financial institutions. The Issuer acquired a domestic bank with a complementary business focus to

secure additional market share in domestic banking, insurance and other related financial services sectors.

In March 1995, the Issuer acquired control of Banco Português do Atlântico, S.A. (“**BPA**” or “**Atlântico**”), which was then the largest private sector bank in Portugal. This followed a joint take-over bid for the whole share capital of Atlântico, launched together with Companhia de Seguros Império (“**Império**”), a Portuguese insurance company. In June 2000, Atlântico was merged by incorporation into the Issuer.

Império’s largest shareholder was the José de Mello Group. The joint take-over bid for the whole share capital of Atlântico led to further cooperation between this group and the Issuer, which culminated in the merger of the Issuer’s financial services business with that of the José de Mello Group in January 2000. The merger included the purchase from the José de Mello Group of its subsidiaries Uniparticipa and Finimper that, in turn, controlled 51 per cent. of the share capital of each of Banco Mello and Império, respectively. Subsequently, the Issuer launched public offers for the minority interests in Banco Mello and Império. In June 2000, Banco Mello was merged by incorporation into the Issuer.

In March 2000, the Issuer reached an agreement with Caixa Geral de Depósitos (“**CGD**”), a large Portuguese banking group, for the purchase of a controlling stake in Banco Pinto & SottoMayor (“**SottoMayor**”), held by CGD. In April 2000, the Issuer purchased, in a public tender offer, a majority interest in SottoMayor from CGD and the remaining shares in SottoMayor from its minority shareholders. In December 2000, SottoMayor was merged by incorporation into the Issuer.

With a view to strengthening the focus on the core business of distribution of financial products, including bancassurance, and to optimise capital consumption, important agreements were established in 2004 with the Caixa Geral de Depósitos group relating to non-bancassurance insurance and with the Belgian-Dutch Fortis group involving the bancassurance business. In the former case, the agreement involved the sale of the whole of the share capital of insurers Império Bonança – Companhia de Seguros, S.A. (“**Império Bonança**”) and Seguro Directo Gere – Companhia de Seguros, S.A. (“**Seguro Directo**”), and of Impergesto – Assistência e Serviços S.A. (“**Impergesto**”) and Servicomercial – Consultoria e Informática, S.A. (“**Servicomercial**”) to the Caixa Geral de Depósitos group. The agreement with Fortis involved the sale to the Fortis group of 51 per cent. of the share capital and the transfer of management control of the insurers Ocidental – Companhia Portuguesa de Seguros, S.A. (“**Ocidental**”), Ocidental – Companhia Portuguesa de Seguros de Vida, S.A. (“**Ocidental Vida**”) and Médis – Companhia Portuguesa de Seguros de Saúde, S.A. (“**Médis**”), and of the pension-fund manager Pensõesgere – Sociedade Gestora de Fundos de Pensões, S.A. (“**Pensõesgere**”). Following the approval by the relevant authorities, these transactions took place in the first half of 2005. In the scope of this partnership, Fortis increased its shareholding in the Issuer to 4.99 per cent. in September 2005. As a consequence of the two BCP share capital increases that took place in 2006, Fortis’s shareholding in the Issuer decreased to 4.94 per cent.

During 2005, important transactions were carried out in the matter of the sale of or reduction of exposure to non-core assets, with emphasis on: finalisation of the sale of Crédilar; the sale to Santander Consumer Finance of the BCP holding in Interbanco, S.A. (“**Interbanco**”) (50.001 per cent. of the Interbanco share capital); the agreement with Hong Kong-based Dah Sing Bank Limited for the sale of the banking and insurance businesses carried on in Macao, while ensuring the continuation of the local Millennium bcp branch; the start of the process of information and consultation with the social partners in France – a condition, under local law, for the conclusion of the agreement for the acquisition by Caisse Nationale des Caisses d’Epargne of 80.1 per cent. of the share capital of Banque BCP; the sale of the shareholdings in Friends Provident, Banca Intesa, PZU; and the reduction of the holding in EDP – Energias de Portugal, S.A. These were measures of strategic scope that generated considerable capital gains and made a determinant contribution to the increase of Millennium bcp’s own funds.

Major transactions were carried out during 2006, involving sales of or reduction of exposure to non-core assets, with emphasis on the following: conclusion of the sale of the 50.001% stake in Interbanco, S.A., in a transaction that had been announced on August 5, 2005; completion of the sale of 80.1% of the share capital of Banque BCP France and Banque BCP Luxembourg to the French financial institution, Groupe Caisses d’Epargne – BCP Group will retain 19.9 per cent. participations in both of the French and Luxembourg operations and has established cooperation agreements with the buyer for developing cross-border remittances in both markets; closing of an agreement with Canadian financial institution BMO Financial Group (formerly the Bank of Montreal)

in respect of the sale of the whole of the share capital of bcpbank Canada; and closing of an agreement by BCP and the BCP Group Pension Fund with EDP – Energias de Portugal, S.A. with a view to the sale of the whole of Millennium bcp's holding in ONI SGPS, S.A., corresponding to 23.062% of its share capital.

The Issuer developed a clear approach for an internationalisation strategy, after the consolidation of a relevant position in the Portuguese market. From the beginning, the aims underlying the involvement in a process of internationalisation were businesses with strong growth prospects in foreign markets with a close historical connection with Portugal or that have large communities of Portuguese origin – including Mozambique, Macao, Luxembourg, France, US and Canada – and in markets where there is a strong commercial rationale for establishing banking operations following a similar business model to the one the Issuer has adopted in its Portuguese market – Poland and Greece. The access to specialised know-how and the new organisational capabilities led to the development of strategic partnerships with selected foreign financial institutions. These included alliances with Eureka, Banco Sabadell in Spain and, more recently, Fortis. The experience meanwhile acquired in the conception and reorganisation of operating platforms and businesses enabled the Issuer to develop from a know-how receiver position to a know-how provider position. In Poland, the Issuer operates through Millennium Bank, formerly named Big Bank Gdanski (“BBG”). In Greece, the Issuer's NovaBank operations target the Greek retail banking sector. The Polish and Greek markets are considered a priority for the Issuer.

The Issuer made a preliminary public announcement on 13 March, 2006 for the launch of a general tender offer for the acquisition of the shares representing the total share capital of Banco BPI, S.A. (“BPI”). In the Issuer's view, the general tender offer for BPI had undeniable strategic and financial rationale, as it would create value for shareholders of both entities, by making a larger Portuguese financial institution with increased relevance in the European financial sector. In the Issuer's view, it would also create the opportunity to capture significant synergies and further explore growth options in the core markets where the BCP Group is already present. On 7 May, 2007, following the computation of the results of the general tender offer for the acquisition of BPI, announced by Euronext Lisbon, neither of the two success conditions mentioned in the offer prospectus and in the launch announcement were fulfilled.

B. Business Overview

Nature of Operations and Principal Activities

The BCP Group is engaged in a wide variety of banking and related financial services activities, in Portugal and abroad. In Portugal, the Issuer's operations are primarily retail banking, but the Issuer offers a range of additional financial services. The Issuer also engages in a number of international activities and partnerships.

The Issuer's banking products and services include deposit-taking, short-term lending, mortgage lending, trade finance, credit cards, fund transfers, custody of securities, foreign exchange, treasury services and money market operations. The Issuer's domestic retail banking activities are conducted mainly through its marketing and distribution network in Portugal, that follow a segmented approach to the Portuguese retail banking market and serve the diverse banking needs of specific groups of customers. Back office operations for the distribution network are integrated in order to exploit economies of scale.

The Issuer has subsidiaries that offer additional financial services, including investment banking, mortgage lending, asset management and insurance. These subsidiaries generally distribute their products through BCP's distribution networks. The Issuer's retail banking and related financial services activities, together with its international operations and partnerships, are described in greater detail below.

Strategy

Millennium bcp's strategy is guided by the following basic principles:

- Strict capital discipline, with a view to optimising its allocation, focusing on core markets and on strict risk management, while ensuring the adequacy of own funds in the light of prudential and market requirements;
- Greater profitability, through the pursuit of maximisation of the operational performance of the present business, with special emphasis on the Millennium Refoundation Programme, and on initiatives designed to take advantage of efficiency-improvement opportunities through

staff redimensioning, rationalisation and reallocation of resources, process re-engineering and increase of productivity on a sustained basis, and continuation of the optimisation of the operations in Poland and Greece;

- Promotion of growth through greater presence in other markets (Poland and Greece) and through the development of growth options in new areas or niche markets as and when opportunities arise (Angola and Romania).

Discipline in capital management

As stated above, a number of major transactions were carried out during 2006. Besides these measures a mortgage loan securitisation operation, Magellan Mortgages No4, in the sum of €1.5 billion was also carried out. Its international placement was notably successful. Also noteworthy was the mortgage loan securitisation operation in the sum of €600 million carried out by Millennium bank in Greece, the first operation of its kind carried out by a subsidiary of a Portuguese bank.

Improvement of profitability

Consolidation of the Group's leadership in Portugal is part of a wider plan directed at the sustained improvement of consolidated profitability – the Millennium Refoundation Programme – through a number of measures directed at stimulation of the business, at improving the customer loyalty indicators, at stricter definition of pricing and at optimisation of the multi-channel distribution channel. The main initiatives included in the Millennium Refoundation Programme directed at increasing profitability are as follows:

- in the Retail area, the “More Prestige” Programme – strengthening the position in the affluent segment through stimulation of sales and the service of excellence – and the “M3” Programme – enhancing relations with customers and increasing sales productivity;
- in the Companies and Corporate area, increase of revenues and reduction of costs through stimulation of sales and optimisation of margins; and
- optimised management of the “Pricing/Offer” – aiming at rationalising the offer in every product, improving both the value proposition and the profitability.

The following initiatives were also implemented regarding cost-optimisation:

- in the Corporate Processes area – objective of structure costs reduction by 30%;
- in the Operational area – process simplification, cutting costs and, at the same time, optimising service levels through identification of programmes directed at a true operational transformation; and
- a focus on credit-risk management, introducing improvements to credit workflows, warning systems, rating systems, collateral and credit-recovery processes.

The goal of the Millennium Refoundation Programme announced in 2003 for the period from 2004 to 2006 consisted of increasing net income by 310 million euros by means of increasing revenues in the Retail and Companies and Corporate segments, reducing loan-loss provisions and increasing the profitability of the international operations. At the beginning of 2006, and in view of the good results achieved in the Retail segment by the end of 2005, the goals of the Millennium Refoundation Programme were revised up to consist of attracting additional revenues in the sum of about 100 million euros in 2007, compared to the initial objectives for 2006. The objective of increasing Retail revenues was also revised up by around 65 million euros compared to the initial goal for 2006.

The revised objectives of increasing profitability were exceeded by 4% and the initial target was exceeded by 22%, driven by the excellent results returned by the Retail and International areas, while the demanding objectives of reduction of the credit-risk cost were met. These three areas largely offset the results of the Companies and Corporate networks that were below expectations, in which market competition factors and the macroeconomic environment limited the growth of revenues.

In Retail, the revenue growth targets were exceeded, with a degree of compliance of 116% (177% higher than the initial target), to stand at 221 million euros in the wake of the focus on and systematisation of the improvements introduced by the Millennium Refoundation Programme initiatives, particularly the “M3”, the Prestige Programme, the optimised management of the Pricing/Offer, the Mandatory Contacts Plans and the initiatives directed at improvement of

commercial activity and relationship. It is worth mentioning the evolution of the “Mass Market” segment, whose contribution to this result stood at 56%, with 124 million euros to the growth of revenues, significantly more than targeted, while the “Prestige” and “Businesses” segments were fully up to expectations, adding 47 million euros and 50 million euros, with their degree of compliance standing at 117% and 100%, respectively.

The results of the measures in the credit and recovery area stood at 102% of the targeted figure, representing an improvement of the credit-risk cost of 48 basis points of the portfolio balance in 2006.

Lastly, within the scope of the measures directed at improving profitability, Millennium bcp continued to optimise its operations in Poland and Greece. In Poland, the main objectives consist in the optimisation of the commercial effectiveness of the retail network and development of the “affluent” and “corporate” sales teams, increasing cross selling, sustaining the category killer position in mortgage loans and creation of the consumer credit unit. In Greece, the main objectives include increasing the product offer, restructuring the bank’s presence in the “businesses” and “private banking” segments and developing a corporate desk. The international area exceeded the proposed targets with a compliance rate of 133%, increasing recurrent revenues net of taxes by 93 million euros.

The results of the international operations confirm that the ambition of creating a multi-domestic bank has been successfully implemented, based on Millennium bcp’s competitive advantages and on those of the various segments in which it does business, on the capacity to adapt its business models to the various local environments, taking advantage of the skills of each country and sharing best practices, on its experience in developing operations in economies that are converging towards the Euro Area, in its ability to innovate and to renovate and on its ongoing endeavour to outperform the most adequate and ambitious benchmarks in each country, segment or support area.

Promotion of growth

The strategic agenda for 2006 included a number of measures directed at promoting growth, which can be split into two categories: strengthening presence in the various markets in which the group operates and developing growth options in new areas or market niches as and when opportune.

The first of these categories includes expansion of the branch networks in Poland and Greece. Opening new branches in Poland will coincide with the implementation of a new distribution and business segmentation model. In Greece, the branch network will continue to concentrate mainly on Athens and Thessalonica, and the new branches to be opened will focus on areas in which NovaBank provided limited cover. The new branches are set to increase profits as from 2009. The final objective is to strengthen the operations in Poland and Greece through intensive use of the potential of the profitability optimisation programmes currently under way and through the opening of 120 branches in Poland and 128 in Greece by 2008. The aspiration of achieving an important position in these two markets, Poland and Greece, is related to the aspiration of attracting an additional share of the future growth of these markets in an endeavour to put both of these operations within the top 5 and/or to secure a 10% market share in the medium term.

The second category includes: the announcement of the launch in 2007 of a greenfield operation in Romania designed to attract a relevant share of a market undergoing fast growth, through a focused branch network complemented by a specialised approach; development of the operations in Angola through a project of branch opening to attract a share of the market’s growth potential and through the ambition to be the leader in Angola; and the development and internationalisation of the investment bank.

With regard to the latter aspect, the plan calls for the creation of a multi-domestic investment bank operating independently of the Retail and the Companies and Corporate business units, developing its own strategy within a more entrepreneurial international culture. As far as strategic positioning is concerned, the main messages consist of: exploiting the existing franchise in Portugal, focusing on specific opportunities; gearing the existing relationship and creating origination and execution skills in Poland, Greece and Angola; and, at international level, to leverage the relationship with banks and companies in order to move into their markets and to provide Portuguese customers with a gateway to those markets in which Millennium bcp operates.

A word is due to the rebranding process in the international operations, all of which now operate under the Millennium brand, reflected in the implementation of the international operations' image harmonisation with that of Millennium in Portugal, as far as identity, name and logo are concerned. The objectives of alignment of the international operations relate to with taking advantage of the international synergies, increasing the power and value of the brand worldwide, reducing the costs related to marketing campaigns and allowing co-ordination of the marketing strategies.

Business Model

Since 1996, the Issuer has integrated its back office operations, namely as regards technological, operational, administrative and purchasing services. These services are provided at cost to all members of the Group, namely in a standardised back-office, to take advantage of economies of scale and better allocate its resource management and capabilities. Some of the back office operations are provided by the subsidiary Millennium bcp Prestação de Serviços A.C.E (formerly Servibanca), which plans, monitors and controls costs and service levels associated with the Group's activities and carries out several operating and technological services and represents its associates regarding third parties, namely in the areas of IT, operational, administrative and procurement.

In 2005 Millennium bcp rolled out a new organisational model to respond to new challenges and demands in the operating environment and to secure its short, medium and long-term strategic objectives. Group executive co-ordination was restructured and now comprises eight units. There are six business areas – Retail Banking; Companies and Corporate; Private Banking and Asset Management; Investment Banking; European Banking and Overseas Banking; and two Service Units – the Banking Services and the Corporate Area. The management objectives for the new organisational model are transversal, applying to all business areas and service units, and are in line with international best practice in the sector. The executive management of each Business Unit and of the Banking Services Unit is entrusted to executive committees comprising two or more Executive Board Members and members of top management directly responsible for areas in the Unit. This reinforces the strong commitment by all lines of management to strategic aspirations.

The strategic approach of Retail Banking in Portugal is to target “retail” customers, who appreciate a value proposition based on innovation and speed, and “prestige” and “business” customers, who for their specific interests, financial assets or income require a value proposition based on innovation and personalisation and a dedicated Account Manager. Within the scope of the Group's cross-selling strategy, Retail Banking also acts as a distribution channel for the financial products and services of Millennium bcp, namely Millennium bcp Fortis insurance products.

The Companies and Corporate area includes the Companies network in Portugal, which covers the financial needs of companies with an annual turnover between Euro 7.5 million and Euro 100 million focused on innovation and on an overall offer of traditional banking products complemented by specialised financing, and the Corporate network in Portugal, dedicated to corporate and institutional customers with an annual turnover in excess of Euro 100 million, providing a complete range of value added products and services. Since the beginning of 2006, this business area includes the International Corporate Banking business (moved from Private Banking Network) and the activity of the International Department.

The Private Banking and Asset Management activity comprises the Private Banking network in Portugal, Millennium Banque Privée, a private banking platform incorporated under Swiss law, the ActivoBank7, a universal Bank, which maintains a focus on brokerage and on the selection and counselling of long-term investment products, and the subsidiary companies specialised in the asset management business. The International Corporate Banking business moved to the Companies and Corporate segment at the beginning of 2006.

The Investment Banking business is undertaken essentially by Millennium bcp Investimento, a company specialised in capital markets, in providing strategic and financial advisory, specialised financial services – project finance, corporate finance, securities brokerage and equity research – and in structuring risk-hedging derivatives products.

The European Banking area comprises the operations carried out in Poland, Greece and Turkey under the commercial brand Millennium bank. In Poland the Group is represented by a universal bank, and in Greece, by an operation based on the innovation of products and services. Although a smaller operation, the activity in Turkey is performed through a bank operation focused on financial advising.

The Overseas Banking area represents the Group's activity in markets outside Europe, and carried out through markets with a close connection to Portugal. This segment includes Millennium bcpbank in the United States, a local bank that serves the local population, namely, the Portuguese community, Millennium bim in Mozambique, a universal bank, targeting both companies and individual customers, and Millennium Angola.

Banking Network in Portugal

The Issuer's retail banking activities are conducted in Portugal through its customer-oriented marketing and distribution network with 864 branches as at the end of 2006. In addition to providing retail banking products and services, the Issuer's banking distribution network also serves as a distribution channel for certain specialised products and services of the Issuer, including investment banking, mortgage lending, consumer credit, specialised credit, asset management and insurance.

Other Financial Services in Portugal

Mortgage Lending

The Issuer entered the mortgage lending business in 1992, when it launched, in association with Cariplo – Cassa di Risparmio delle Provincie Lombarde S.p.A. ("Cariplo") (now a part of the Italian financial group Banca Intesa), an autonomous mortgage bank, Banco de Investimento Imobiliário, S.A. ("BII"). BII was 69.9 per cent. owned by the BCP Group, with the remaining 30.1 per cent. being owned by Banca Intesa. BII previously distributed its mortgage products through the Issuer's marketing and distribution networks, as well as through its own retail outlets. On 21 September 2005, the Issuer reached an agreement with Banca Intesa for the unwinding of the joint venture arrangements regarding BII. In October 2005 the Issuer acquired 30.1 per cent. of the capital of BII owned by Intesa, becoming the sole shareholder of BII.

Insurance

The Issuer has an interest in insurance activities through Millennium bcp Fortis, a joint-venture for bancassurance business with Fortis. The Group holds 49 per cent. of Millennium bcp Fortis' share capital, while the remaining 51 per cent. is held by Fortis.

International Activities

The Issuer is actively pursuing its strategy of focused international expansion. Since 2000, the Issuer has targeted countries that present strong business growth prospects and where the Issuer believes there is a strong commercial rationale for establishing banking operations following a similar business model to the one the Issuer has adopted in the Portuguese market. In exploiting this strategy, the Issuer has concentrated on Poland and Greece in particular. In addition, the Issuer established banking operations in a number of countries that have a close connection with Portugal or have large communities of Portuguese origin. These include Mozambique, Angola and the United States.

Poland

In 1998, the Issuer entered into a partnership agreement with the Polish financial group, BBG, pursuant to which the Issuer launched a retail operation within BBG in the Polish market under the name "Millennium". This joint venture was controlled jointly by the Issuer and BBG. As part of a restructuring of BBG in 2002, the Issuer and BBG decided to merge their Millennium joint venture into BBG and establish one banking operation. During the fourth quarter of 2002, the Issuer increased its shareholding in BBG to 50 per cent. of its share capital. At the start of 2003, BBG changed its name to Bank Millennium. All existing BBG branches and brands have been rebranded under the name "Bank Millennium". In the second quarter of 2006, Millennium bcp requested authorisation from the Polish Banking Supervision Commission to increase the participation in the capital and voting rights of Bank Millennium S.A. from 50 per cent. to a maximum of 66 per cent., with a view to deliberate, in the future and opportunely, the more adequate form and amount to proceed to the reinforcement of the participation in that Bank considering the adequate economic, legal and market conditions. At the end of 2006, the tender offer for up to 16% of the share capital of Bank Millennium S.A. in Poland was completed with 131,701,722 shares being acquired, corresponding to 15.51% of Bank Millennium S.A. share capital and voting rights, at the price of PLN 7.30 per share, so increasing the Issuer's holding to 556,325,794 shares, corresponding to 65.51% of Bank Millennium S.A.'s share capital and voting rights. Bank Millennium in Poland is a universal bank directed at medium and high net worth individuals, also developing a specialised

approach to the medium companies and small businesses segments. Bank Millennium's activity is based on the three pillars that support its medium term strategy: gaining dimension and increasing the profitability of its retail business through organic growth; specialising in personal loans, adopting a 'category killer' approach in selected credit products; and renovation of the business model for companies with a view to improving both sales and the offer.

Greece

In July 1999, the Issuer and Interamerican Hellenic Life Insurance Company S.A. ("Interamerican"), one of the largest Greek life insurers and a wholly owned subsidiary of Eureko, launched a joint greenfield retail banking operation in the Greek market, NovaBank. Following the April 2005 acquisition of the remaining 50 per cent. of NovaBank's share capital and controlling rights, Millennium bcp wholly-owns NovaBank. Nova Bank entered a new era of its short history in 2006 with its refoundation as Millennium bank, adopting the identity of the Millennium Group at global level. Millennium bank is a universal bank, with an initial focus on the financial retail business, but which expanded its activity from 2003 onwards to the private banking and business banking segments. The recent performance of Millennium bank in Greece reflects the success of a pioneering strategy that combines products, high quality services, state-of-the-art technology and qualified human resources. Since its incorporation, the bank has implemented an aggressive growth plan with a focus on fast organic growth and, at the same time, on increasing revenues and on the creation of value.

Turkey

In order to leverage its operational capabilities and its geographic position, in 2002 NovaBank acquired Sitebank, a small Turkish commercial bank, to cater for the affluent individuals segment of the Turkish market in a selective and cost-efficient manner. This bank was subsequently renamed BankEuropa in 2003 and adopted the Millennium brand in 2006. Millennium bank was the first Turkish bank to be exclusively directed at a specific segment of customers: affluent individuals. The bank addresses the affluent individuals segment. Its business is carried on the basis of a differentiating strategy through excellence and convenience of service, financial advisory suited to each customer profile, and dedicated relationship managers, allied to a vast range of personalised products and services, including financial services provided by prestigious international institutions. Millennium bank in Turkey bases business on the provision of a service of excellence through purpose-designed branches, experienced staff and specific services designed to satisfy the needs of its customers.

Mozambique

Banco Internacional de Moçambique ("BIM") is a Mozambican retail bank that began operating in 1995. BIM was the first Mozambican bank to be created as a joint venture on an equal basis by local and foreign partners. In December 2001, BIM was merged into Banco Comercial de Moçambique, the Mozambican holding company of Banco Mello and Companhia de Seguros Império that was transferred to the Issuer in 2000 following the Issuer's agreement with the José de Mello Group to merge their financial services businesses. Banco Comercial de Moçambique was subsequently renamed Banco Internacional de Moçambique. BIM also holds interests in subsidiaries specialising in investment banking (BIM Investimento), in leasing activities (BIM Leasing), specialised credit (Credicar) and in insurance activities (SIM). In May 2006, the bank was rebranded Millennium bim, concentrating 10 distinct brands into one, maintaining the approach to clients' segmentation ("Mass Market", "Affluent", "Businesses" and "Corporate"). The new image will enable the renewal of the commitment of the Bank to the Mozambique market. Millennium bim is a universal bank that offers specialised products and services and clearly holds market leadership.

Angola

Banco Millennium Angola, S.A., was set up on April 3, 2006, as a result of the transformation of the Millennium bcp branch into a bank incorporated under Angolan law. Own funds at the time of its constitution amounted to US\$ 40 million, of which \$25 million are in respect of share capital wholly owned by the Group. Banco Millennium Angola's strategy is directed at enlargement of the individuals customer base, while ensuring continuation of high customer satisfaction and loyalty levels based on several factors: a high quality service and the offer of innovative financial products; development of business with public and private sector companies and institutions through satisfaction of their financial needs and through extending access to different markets and resources that will allow their growth, employing demanding criteria of strictness and risk control;

contribution to the development of the capital market, seeking its conversion into an alternative source of financing for the Angolan economy; continuation of high profitability and financial strength, ensuring sustained creation of value for shareholders; and enhancement of employees through training programmes, incentives and offer of career prospects.

United States of America

In November 2000, BCPBank (US), or BPABank, as it was then named, opened its first branches in the State of New Jersey in the United States of America. BCPBank (US) targeted the local population in areas where the Portuguese community has a strong presence and is wholly owned by the BCP Group. BCPBank was rebranded in 2006 Millennium bcpbank. Millennium bcpbank is a global bank designed to serve the Portuguese speaking and Portuguese-descendant community. Offering a complete range of banking products and services, Millennium bcpbank provides its service of excellence through highly convenient, innovative services platforms and through personalised advisory services.

Macao

Millennium bcp had an operation in the Special Administrative Region of Macao since 1995, through Banco Comercial de Macau, a universal banking operation whose origins date back to the opening of the Banco Português do Atlântico branch and which was mostly directed at retail activities, having established important relations with institutional companies and Customers, and focusing on a global market approach centred on direct communication and insurance cross selling. After the necessary authorisations were obtained, the sale of the stakes corresponding to (i) 100 per cent. of Banco Comercial de Macau, S.A., (ii) 4 per cent. of Companhia de Seguros de Macau, S.A.R.L. (being 92 per cent. of the share capital already held by Banco Comercial de Macau, S.A.) and (iii) 0.13 per cent. of Companhia de Seguros de Macau Vida S.A.R.L. (being the remainder of the share capital already held by Companhia de Seguros de Macau S.A.R.L.) to the Dah Sing Group was concluded on the 19th of December of 2005. Millennium bcp continues to ensure its presence through its Macao branch.

France

Banque BCP (France) is a retail banking operation based in France established in 2001 as a result of the merger of the French banking institutions, which the Issuer acquired as a result of the acquisitions of Atlântico, Banco Mello and SottoMayor. Banque BCP (France) serves a clearly defined market segment consisting of residents in France who originated from, or have close ties with, Portugal. Luxembourg Banque BCP (Luxembourg) became part of the BCP Group as a result of the acquisition of Banco Mello in 2000. It was formerly named Banco Mello (Luxembourg) and became wholly owned by the BCP Group. Banque BCP (Luxembourg) focuses on retail banking and targets the Portuguese community resident in Luxembourg. In July 2006, Banco Comercial Português completed the sale process of 80.1 per cent. of the share capital of Banque BCP France and Banque BCP Luxembourg to the French financial institution Groupe Caisse d'Épargne. BCP Group retained a 19.9 per cent. participation in both of the French and Luxembourg operations.

Canada

Following the acquisition by the Bank of SottoMayor in 2000, bcpbank Canada, or SottoMayor Bank Canada, as it was then named, became part of the BCP Group. bcpbank Canada is a retail bank operating in Canada, which targets the local population in areas where the Portuguese community has a strong presence. bcpbank Canada was wholly owned by the BCP Group. In August, 2006, Banco Comercial Português signed an agreement with Canada's BMO Financial Group (originally Bank of Montreal) to sell 100 per cent. of the capital of bcpbank Canada for a consideration of CAD 41 million (28.4 million euros). In December 2006, the sale to Canada's BMO Financial Group (originally Bank of Montreal) of bcpbank Canada was completed for a consideration of CAD 40.9 million (27.4 million euros). This sale generated a capital gain, before taxes, of 9.4 million euros, corresponding to an additional 3 basis points in core tier 1 capital, and is part of BCP's strategy to divest from non-core markets, and refocus on core business.

International Partnerships

Since 1991, the Issuer has also developed an internationalisation strategy based on establishing cooperation agreements with foreign partners. The Issuer's current foreign partners are Eureka, Banco Sabadell and Fortis. These partnerships involve, among other things, joint ventures, cross-shareholdings and reciprocal board representation.

Banco Sabadell

In March 2000, the Issuer announced the terms of a strategic partnership agreement with Banco Sabadell of Spain, seeking the development of joint initiatives in finance-related fields of mutual interest. In the first quarter of 2005, an agreement was reached to reinforce the offer of products and services common to Millennium bcp and to Banco Sabadell, notably in corporate loans and in innovating services for individuals. As a result of the agreement, Millennium bcp's clients can use the retail and corporate networks of Banco Sabadell in Spain and vice versa for Banco Sabadell's clients in Portugal. The Issuer currently holds 2.75 per cent. of Banco Sabadell's share capital, while Banco Sabadell holds 2.49 per cent. of the share capital of the Issuer.

Eureko

In 1991, the Issuer established strategic partnerships with two significant European insurance groups, Friends Provident and AVCB Averro Centraal Beheer. In 1992, Eureko was established as a pan-European insurance group, as a result of the association of: the insurance groups Friends Provident, from the United Kingdom; AVCB Averro Centraal Beheer, from the Netherlands; Wasa, from Sweden; and the Danish financial group Topdanmark. In 1993, the Issuer, through its insurance holding Seguros e Pensões Gere, became the fifth partner of this pan-European strategic insurance alliance. The Issuer currently holds 2.63 per cent. of the share capital of Eureko, while Eureko Group holds 7.24 per cent. of the share capital of the Issuer. Through its asset management subsidiary F&C, Eureko established an exclusive distribution agreement of its asset management products through the Millennium bcp banking network.

Fortis

In 2005, the Issuer and Fortis established a joint venture for the bancassurance business, through the insurance company Millennium bcp Fortis. The Group holds 49 per cent. of Millennium bcp Fortis' share capital, while the remaining 51 per cent. is held by Fortis. In September 2005, Fortis increased its shareholding in the Issuer to 4.99 per cent. As a consequence of the two BCP share capital increases that took place in 2006, Fortis's shareholding in the Issuer decreased to 4.94 per cent.

Significant Developments in 2006

The following are among the most significant business developments of the Group since 31 December, 2005:

On 4 January, 2006, the share capital of the Issuer was increased to 3,588,331,338 euros, following the conversion of the Mandatory Convertible Securities "Capital BCP 2005", which matured on 30 December, 2005. A public deed of increase of the Issuer's share capital was executed and 330,930,511 new ordinary shares were issued in connection with the conversion of the Capital BCP 2005 securities. The new shares were listed on Euronext Lisbon on 6 January 2006, and were fully fungible with the existing shares.

On 10 January, 2006, the Issuer concluded the sale of the participation of 50.001 per cent. in Interbanco, S.A. share capital, announced on 4 August, 2005. The acquirer was Santander Consumer Finance, S.A., the entity indicated by SAG GEST – Soluções Automóvel Globais, SGPS, S.A., in the exercise of its preference rights. The sale price was 110 million euros, as previously announced. This disposal generated a capital gain of 82.2 million euros, which had a positive impact of 27 basis points on the Issuer's total capital ratio.

On 17 February, 2006, an agreement was reached with the French financial group Caisse Nationale des Caisses d'Epargne for the sale by BCP Group of shares representing 80.1 per cent. of the share capital of Banque BCP France and Banque BCP Luxembourg, both of which are currently fully owned by the Group, for a total consideration of 119.783 million euros, subject to final adjustments at completion. The Group retained 19.9 per cent. participations in both of the French and Luxembourg operations and has established cooperation agreements with the buyer focused on developing cross-border remittances in both markets. The transaction has been completed on 24 July 2006.

On 21 February, 2006, the redenomination of the Renting Operation of BCP (Classis) took place, which is now named Millennium bcp Renting. With this change, the Issuer intended to clarify to the market the quality, dynamic and solidity which result from the inclusion of the business areas in the same financial group, without prejudice to the differentiating elements stemming from the specific area of action, through the adoption of a common communication matrix. Millennium bcp

Renting has as its objective the commercialisation of Renting through the Banking networks of BCP and results from a joint venture agreement (concluded in May 1998 and recently renewed) between Banco Comercial Português Group and GE Commercial Finance Fleet Services (General Electric Group).

On 23 February, 2006, the Issuer announced that it had been informed that the Angolan authorities had approved the transformation of its Angola branch into a local bank, through the incorporation of the respective assets and liabilities, with a share capital equivalent to approximately USD 25 million.

On 13 March, 2006, the Issuer made a Preliminary Public Announcement for the launch of a general tender offer for the acquisition of the shares representing 100 per cent. of the share capital of Banco BPI, S.A. The offered consideration in cash, was fixed in the amount of 5.70 euros per share.

On 13 March, 2006, the Annual General Shareholders Meeting of 2006 took place, with representatives of 69.15 per cent. of the share capital of the Issuer present. Among the resolutions approved, the following are noteworthy:

- (i) Approval of the 2005 management report and of the consolidated and non-consolidated accounts of the Issuer;
- (ii) Approval of the distribution, in cash, of a gross additional dividend of 0.037 euros per share, relative to the profit of 2005. Given that in October 2004 the bank had already been paid an early dividend with a gross value of 0.033 euros per share, the total amount of the dividends amounts to 0.070 euros per share, which represents a unit increase of 7.6 per cent. in relation to the previous year;
- (iii) Approval of the changes to the Issuer's articles of association as listed in paragraph 4 of the call notice of the General Meeting of Shareholders, namely having in view the adoption of one of the models foreseeable in the changes to the Commercial Companies Code approved in Council of Ministers, and which did not differ materially from the project released by the Securities Market Commission, with adoption of the dualist model of corporate organisation, composed by a Supervisory Board, an Executive Board and a Single Auditor, maintaining the Senior Board and the Remuneration and Welfare Board. Once the above mentioned regulation changes took place, the Supervisory Board then created became a social body and the Board of Auditors was replaced by a Single Auditor. From that date onwards, the Board of Directors is called the Executive Board, with the composition and mandate in place at the time of the Annual General Shareholders Meeting;
- (iv) Election of the corporate bodies created in the General Annual Meeting.

On 14 March, 2006, Standard & Poor's Ratings Services raised its long- and short-term counterparty credit ratings on the Issuer, from "A-" and "A-2", to "A" and "A-1", respectively, changing simultaneously the "Outlook" from "Positive" to "Stable". The improvement of the credit ratings by Standard & Poor's represents the first change announced by it since 1992, when it began to attribute ratings on the Issuer. This change took into consideration the launch of a tender offer for Banco BPI by the Issuer.

On 27 March, 2006, the share capital of the Issuer was increased following the exercise of the Employees' Stock Option Program to 3,611,329,567 euros, a public deed of increase of the Issuer's share capital was executed and 22,998,229 shares in relation to the exercise of the employees' stock option program were issued on April 2003. The new shares were not entitled to the 2005 dividend, and were listed on Euronext Lisbon on 7 April, 2006, being then fully fungible with the existing shares.

On 31 March, 2006, following the Preliminary Public Announcement of the decision to launch a public tender offer for the acquisition of shares of Banco BPI, S.A, the Issuer and BCP Investment B.V. announced that they had delivered to CMVM the request for registration of the offer.

On 10 April, 2006, the Issuer requested authorization to the Polish Banking Supervision Commission to increase the participation in the capital and voting rights of Bank Millennium S.A. from 50 per cent. to a maximum of 66 per cent. According to the then recent legal changes that had occurred in Poland, such increase in participation did not imply any obligation to launch a general tender offer.

On 22 May, 2006, the rebranding of BIM to Millennium bim took place. Millennium bim consolidates 10 distinct brands in one, keeping the approach by clients' segments ("Mass Market", "Affluent", "Businesses" and "Corporate"). The new image enabled the renewal of the Issuer's commitment to the Mozambican market.

On 29 May, 2006, the Issuer announced that its US subsidiary bcpbank n.a. has entered into an agreement with the Office of the Comptroller of the Currency of the United States. The agreement sets forth certain measures designed to strengthen its management procedures to support its strategic organic growth plans.

On 6 June, 2006, the Board of Directors of Bank of Portugal deliberated the non opposition to the acquisition, through general tender offer, by the Issuer and its subsidiary BCP Investment B.V., of a qualified participation in Banco BPI, S.A., of up to 100 per cent. of its share capital and voting rights. This decision was taken on the assumption that a capital increase will be carried out in order for the Issuer to comply with capital adequacy regulatory requirements, this being in line with the Issuer's intention to increase its own funds announced at the time of the preliminary public announcement of the offer.

On 23 June, 2006, the Issuer stated its potential willingness to sell its stake in ONI SGPS, S.A., within the scope of the sale process by EDP – Energias de Portugal, S.A. of its stake of 56.61 per cent. in ONI SGPS, S.A.'s share capital, provided that conditions were satisfactory and safeguard the interests of BCP.

On 28 June, 2006, the Competition Authority notified the Issuer of a draft decision to initiate an in-depth investigation into the proposed acquisition of exclusive control in Banco BPI, S.A. An in-depth investigation is the second phase of the process in course, as envisaged in the Competition Law for those operations that, due to their size and complexity, require a more detailed analysis by the Authority.

On 4 July, 2006, the Board of Directors of the Portuguese Insurance Supervisor "Instituto de Seguros de Portugal" (Portuguese Insurance Institute) took the decision of non-opposition to the projected acquisition by the Issuer of up to 100 per cent. of Banco BPI, S.A. share capital, which owns 35 per cent. of the share capital of Companhia de Seguros Allianz Portugal, S.A., 50 per cent. of the share capital of COSEC – Companhia de Seguro de Créditos, S.A., 100 per cent. of the share capital of BPI Vida – Companhia de Seguros de Vida, S.A., and, through Banco Português de Investimentos, SGPS, S.A., 100 per cent. of the share capital of BPI Pensões – Sociedade Gestora de Fundos de Pensões, S.A.

On 6 July, 2006, following the pre-marketing process initiated on 26 June, the Issuer announced that Magellan Mortgages No4, a Residential Mortgage-Backed Securities (RMBS) transaction was launched and priced. The 1.5 billion euros transaction was managed by the joint lead managers Millennium bcp Investimento, ABN AMRO and Merrill Lynch International. This transaction was also a part of the Issuer's on-going optimisation of its risk-weighted assets.

On 14 July, 2006, the Competition Authority notified the Issuer of its formal decision to start the phase of in-depth investigation in the scope of the analysis of the public tender offer for the acquisition of the shares representing the total share capital of Banco BPI, S.A.

On 24 July, 2006, further to the announcements made on 17 February, 2006, the Issuer announced the completion of the sale of 80.1 per cent. of the share capital of Banque BCP France and Banque BCP Luxembourg to the French financial institution Groupe Caisses d'Epargne, for a total consideration, net of transaction costs, of 119.783 million euros, with final technical adjustments to be made during the third quarter of 2006. BCP Group will retain 19.9 per cent. participations in both of the French and Luxembourg operations and has established cooperation agreements with the buyer for developing cross-border remittances in both markets. This transaction will generate a capital gain of 51.6 million euros, before taxes and transaction costs, and will have a positive estimated impact of 13 basis points in the core tier 1 capital ratio of the Issuer. The transaction will be booked on third quarter 2006 accounts.

On 3 August, 2006, the Issuer signed an agreement with Canada's BMO Financial Group (originally Bank of Montreal) to sell 100 per cent. of the capital of bcpbank Canada for a consideration of CAD 41 million (28.4 million euros), with expected completion, subject to regulatory approvals, to occur in the fourth quarter of 2006. The estimated capital gain, before taxes, amounted to 8.9 million euros, corresponding to an additional 4 basis points in core tier 1 capital.

On 10 November, 2006, an agreement was closed by BCP and the BCP Group Pension Fund with EDP – Energias de Portugal, S.A. with a view to the sale of the whole of Millennium bcp's holding in ONI SGPS, S.A., 1,000 shares or 23.062% of its share capital. Considering the sum for which these shares were carried in the books both of the Issuer and of the BCP Group Pension Fund, these sales had no impact in the respective statements of income and balance sheets. Additionally, Banco Comercial Português agreed to assign EDP its credits over the ONI Group. Taking into account the book value, net of provisions, at which these credits were carried, this assignment had no impact in the Issuer's statement of income.

On 4 December, 2006, the sale to Canada's BMO Financial Group (originally Bank of Montreal) of bcpbank Canada for a consideration of CAD 40.9 million (27.4 million euros) was completed. This sale generated a capital gain, before taxes, of 9.4 million euros, corresponding to an additional 3 basis points in core tier 1 capital, and was part of BCP's strategy to divest from non-core markets, and focus on core businesses.

On 7 December, 2006, Millennium bank in Greece issued 600 million euros of RMBS, the first securitisation operation carried out by a subsidiary of a Portuguese bank.

On 18 December, 2006, the tender offer for up to 16% of the share capital of Bank Millennium S.A. in Poland was completed with 131,701,722 shares being acquired, corresponding to 15.51% of Bank Millennium S.A.'s share capital and voting rights, at the price of 7.30 zlotys per share, so increasing the Issuer's holding to 556,325,794 shares, corresponding to 65.51% of Bank Millennium S.A. share capital and voting rights.

Recent Developments

On 29 January, 2007, Banco Comercial Português signed an agreement with Group Banco Santander (Portugal) and BCP Pension Fund, represented by its management company Pensõesgere, subject to the relevant regulatory approvals, for the acquisition by BCP of BPI shares, representing 10.5% of BPI share capital, held by those entities. Furthermore, the Chairman of BCP's Executive Board expressed to the CEO of Banco Santander Totta a commitment to award to Banco Santander Totta a qualified position on any disposal of branches and/or related assets it might decide to make as a condition set by the Portuguese Competition Authority in connection with the offer for the acquisition of Banco BPI and during the term prescribed by it, provided that Banco Santander Totta would conversely make a firm offer (first offer), in reasonable terms and good-faith. This matter was subject to necessary legal and regulatory approvals, the observance of competitive requirements of the disposal process, and that the existence and outcome of that process would not affect the above mentioned share sale contract.

On 6 February, 2007, the process of study of the merger by incorporation of Banco Millennium bcp Investimento, S.A. into the Issuer was initiated, with the aim of developing investment banking directly. This process should be concluded in the beginning of 2008 and should not have an impact on the consolidated accounts of the Group, given that in essence, it represents only an internal reorganization.

On 1 March, 2007, the Portuguese Competition Authority issued a non-opposition draft decision regarding the Banco BPI acquisition by the Issuer in connection with the pending offer for the acquisition of Banco BPI S.A., preliminarily announced on March 13, 2006, that included a number of undertakings ("*remédios*") to be executed by BCP: disposal of BCP's and BPI's participations in UNICRE; launching of an alternative payment cards acquiring business; transfer of 60 branches through a sale process; and measures related to Corporate-SME clients mobility (switching costs). In connection with these undertakings, a number of ancillary obligations were set to ensure effective execution. Controlling mechanisms to ensure the fulfilment of the above-mentioned undertakings were also set, having BCP committed to mandate an independent entity to monitor these processes.

On 13 March, 2007, BCP sent to the Portuguese Competition Authority its comments on the draft decision received on 1 March, 2007. The overall conclusion of such comments was that, despite the disagreement on some matters, the Issuer reiterated the undertaking commitments proposed and accepted the respective obligations, aiming at obtaining a non-opposition decision from the Competition Authority.

On 16 March, 2007, the final decision from the Portuguese Competition Authority of non-opposition to the acquisition by BCP of Banco BPI S.A. through the public takeover preliminarily announced on March 13, 2006, was formally notified, with the imposition of certain conditions and

obligations designed to guarantee compliance with the undertakings (“*remédios*”) assumed by the notified party, aimed at ensuring that effective competition is maintained in the different markets analysed.

On 23 March, 2007, the Issuer and BCP Investment B.V. (the “Offerors”) submitted to the CMVM the updated registration request of the general tender offer for the acquisition of Banco BPI, S.A.

On 5 April, 2007, CMVM granted the final registration of the general tender offer for the acquisition of Banco BPI, S.A. The offer period started on 10 April, 2007.

On 24 April, 2007, the Issuer announced amendments to the agreements signed with Grupo Santander and BCP Pension Fund for the acquisition of BPI shares, namely: (a) the maximum adjusted price due to the sellers as a result of a revision of the price offered by BCP on the tender offer for BPI, in case the offer would not succeed, would be of 6.45 euros per BPI share (corresponding to the average price in Euronext Lisbon between the day of the signing of the agreements, 29 January, 2007, and the day of the registration of the offer by CMVM, 5 April, 2007); (b) this adjustment would only be applicable to approximately 79.5% of the number of shares covered by the initial agreement (i.e. 35,467,060 shares out of the 44,604,987 shares sold by Group Santander, and 27,974,606 shares out of the 35,182,136 shares sold by BCP Pension Fund); (c) the sellers have the right to cancel the sale of the remaining 20.5% part of the shares (9,137,927 and 7,207,530 shares, respectively); and (d) in case the sale of these shares is not cancelled by the sellers, then BCP will acquire them with no adjustment, at the agreed price of 5.70 euros per share.

On 24 April, 2007, Banco Comercial Português revised the offer consideration to 7 euros in cash per share of BPI.

On 7 May, 2007, following the computation of the results of the general tender offer for the acquisition of Banco BPI, S.A., announced by Euronext Lisbon, none of the two success conditions mentioned in the offer prospectus and in the announcement of its launch were fulfilled.

C. Principal Markets and Competition

Since 1996, there has been a significant expansion of personal financial services in the Portuguese banking market, resulting in a sustained development of mortgage credit, consumer loans, investment funds and unit-linked products, and increased use of credit cards. The Portuguese banking market is now well developed, and includes strong domestic competitors that incorporate a multi-product, multi-channel and multi-client segmented approach. This has allowed Portuguese banks to tailor their financial products and services to customers’ needs and to improve commercial capabilities. In addition, there has been significant development of internet banking operations and the use of new techniques, such as customer relationship management, which enable banks to accurately track customers’ requirements. Cross selling has benefited from the use of such techniques and has increased the proportion of banks’ non-interest income in recent years. Foreign banks have also entered the Portuguese market, particularly in areas such as corporate banking, asset management, private banking and brokerage services. These factors have resulted in increased competition, especially for customers’ funds and mortgage loans. Customer loans and advances increased significantly in the second half of the 1990s, but lower economic growth observed since the end of 2000 led to a slowdown of demand for credit, resulting in increased competition.

The Issuer competes primarily with the four other major Portuguese banking groups: Caixa Geral de Depósitos; Banco Espírito Santo; Banco Santander Totta and BPI. The dimension of the Issuer’s distribution networks operating under a single brand, Millennium bcp, has enabled the Issuer to maintain a leading position among its competitors. The Issuer’s fully centralised back office operations has also enabled the Issuer to operate efficiently and exploit economies of scale.

At the end of 2005, the Issuer’s estimated market share, together with that of the four other major Portuguese banking groups, was in excess of 80 per cent. in terms of total assets, customers’ funds and number of branches, as a result of the consolidation that took place in the Portuguese banking system in the second half of the 1990s. This consolidation process was driven by the need to achieve economies of scale and operating synergies. More recently, major Portuguese banks have rationalised their operating structures, with the aim of cost-cutting and improving efficiency. In addition, many Portuguese banks have focused on increasing revenues through increased market share and cross selling, as well as on core operations, which tend to support aggressive commercial strategies.

The following table illustrates the competitive environment in Portugal as at 31 December, 2005, 2004, 2003, 2002 and 2001, and shows the change between 31 December, 2005 and 31st December, 2004:

	<i>As at 31 December,</i>					<i>Change (2005- 2004)</i>
	<i>2005</i>	<i>2004</i>	<i>2003</i>	<i>2002</i>	<i>2001</i>	
	<i>(in thousands)</i>					
Number of Banks ⁽¹⁾	48	50	52	52	51	-4.0 per cent.
Number of Branches	5,357	5,488	5,256	5,140	5,167	-2.4 per cent.
Population (thousands)	10,570	10,529	10,476	10,407	10,329	0.4 per cent.
Inhabitants per branch	1,973	1,919	1,993	2,025	1,999	2.8 per cent.
Branches per bank	112	110	101	99	101	1.7 per cent.

Sources: Portuguese Banking Association and National Statistics Institute of Portugal.

(1) Including Caixa Económica Montepio Geral.

The Issuer is also subject to strong competition in the international markets in which it operates. In Poland and in Greece, household and corporate indebtedness remain low by international standards, which the Issuer believes supports strong medium term credit growth and therefore makes its strategy of organic growth viable. However, these opportunities have led to increased competition in recent years. Privatisation and consolidation in the Polish banking industry in the second half of the 1990s has also led to the establishment of foreign banks and increased competition. In addition, in both Poland and Greece, European Union integration has created strong incentives for the cross-border provision of financial services without a local commercial presence, and for cross-border mergers, resulting in significant additional competition from foreign banks.

D. Organisational Structure

The Issuer and the Group

The following diagram summarises the organisational structure of the principal subsidiaries of the Group on 31 March, 2007 (being the latest practicable date for which such information is available):

Banco Comercial Português, S.A.

Domestic Operations

Millennium bcp Investimento
(Investment Banking)
(100.0 per cent.)

Banco de Investimento Imobiliário
(Mortgage Lending)
(100.0 per cent.)

Millennium bcp – Gestão de
Fundos de Investimento
(Asset Management)
(100.0 per cent.)

ActivoBank
(Retail Bank)
(100.0 per cent.)

Millennium bcp Fortis
(Bancassurance)
(49.0 per cent.)

Foreign Operations

Bank Millennium
(Poland)
(65.5 per cent.)

Millennium Bank
(Greece)
(100.0 per cent.)

Banco Internacional de Moçambique
(Mozambique)
(66.7 per cent.)

Banco Millennium Angola
(Angola)
(100.0 per cent.)

Millennium bcpbank
(USA)
(100.0 per cent.)

Millennium Bank
(Turkey)

Domestic Operations

Foreign Operations

(100.0 per cent.)

Banque Privée
(Switzerland)
(100.0 per cent.)

In addition, BCP's subsidiary, Millennium bcp-Prestação de Serviços ACE represents their associates regarding third parties, namely in the areas of IT, operational, administrative and procurement. The Issuer is, directly or indirectly, the ultimate holding company of all the companies in the BCP Group and is not dependent upon other entities within the BCP Group. However, being the ultimate holding company of the BCP Group, the activities developed by the other members of the BCP Group have an impact on the Issuer.

Significant Subsidiaries

The following is a list of the main subsidiaries of BCP at 31 March, 2007:

	<i>Country of incorporation/ residence</i>	<i>per cent. held by the Issuer</i>	<i>per cent. held by the Group</i>
Banco Millennium bcp Investimento, S.A.	Portugal	—	100.0
Banco de Investimento Imobiliário, S.A.	Portugal	100.0	100.0
Banco ActivoBank (Portugal), S.A.	Portugal	—	100.0
Banco Internacional de Moçambique, S.A.R.L.	Mozambique	—	66.7
Banco Millennium Angola, S.A.	Angola	100.0	100.0
Millennium Bank, Anonim Sirketi	Turkey	—	100.0
Millennium Bank, S.A.	Poland	65.5	65.5
Banque Privée BCP (Suisse) S.A.	Switzerland	—	100.0
Millennium BCP Bank	USA	—	100.0
Millennium bcp – Gestão de Fundos de Investimento, S.A.	Portugal	—	100.0
Millennium bcp – Prestação de Serviços, A.C.E.	Portugal	49.3	90.3
Millennium bcp Fortis, S.G.P.S, S.A.	Portugal	—	49.0
Millennium Bank, Société Anonyme	Greece	—	100.0

General

There are no arrangements in place, the operation of which may result in a change of control of the Issuer.

Save as disclosed in the “Recent Developments” section on pages 86 – 87 of this Base Prospectus, the Issuer has made no material investments since the date of the last published financial statements and the Issuer has made no relevant firm commitments on future investments.

Save as disclosed in the “Recent Developments” section on pages 86 – 87 of this Base Prospectus, there have been no recent events particular to the Issuer, which are to a material extent relevant to the evaluation of the Issuer's solvency.

E. Share Capital

The authorised, issued and fully paid up share capital of the Issuer is €3,611,329,567, divided into 3,611,329,567 ordinary shares each of a nominal value of €1,00.

F. Management

The Directors of the Issuer and their positions held are as follows:

<i>Name</i>	<i>Position(s) held</i>	<i>Company/institution</i>
Paulo Jorge de Assunção Rodrigues Teixeira Pinto	Chairman of the Executive Board of Directors	Banco Comercial Português Fundação Millennium bcp
	Chairman of the Board of Directors Vice Chairman of the Board on behalf of BCP	
	Chairman of the Board of Directors	Millennium bcp – Prestação de Serviços, ACE
	Chairman of the Board of Directors	Banco Millennium bcp Investimento, S.A.
	Chairman of the Board of Directors	Banco ActivoBank (Portugal), S.A.
	Member of the Supervisory Board	Bank Millennium, S.A.
	Member of the Senior Board	Nova Bank, S.A.
Filipe de Jesus Pinhal	Member of the Remuneration Commission	BIM – Banco Internacional de Comissão Moçambique, S.A.
	Vice-Chairman of the Executive Board of Directors	Banco Comercial Português, S.A.
	Vice-Chairman of the Board of Directors	Banco de Investimento Imobiliário, S.A.
	Chairman of the <i>Conseil de Surveillance</i>	Banque BCP, S.A.S.
	Member of the Board of Directors	Millennium bcp – Prestação de Serviços, ACE
	Vice-Chairman of the Board of Directors	Fundação Millennium bcp
	Chairman of the Board of Directors	Seguros & Pensões Gere, SGPS, S.A.
	Manager	BCP Participações Financeiras, SGPS, Sociedade Unipessoal, Lda
	Manager	BCP Internacional II, Sociedade Unipessoal, SGPS Lda
	Manager	BII Internacional, SGPS, Lda
Christopher de Beck	Member of the Remuneration Commission	BIM – Banco Internacional de Moçambique, SARL
	Vice-Chairman of the Executive Board of Directors	Banco Comercial Português, S.A.
	Vice-Chairman of the Board of Directors	Banco Millennium bcp Investimento, S.A.
	Member of the Supervisory Board	Bank Millennium, S.A. (Polónia)
	Member of the Senior Board	Millennium Bank, S.A. (Grécia)
	Member of the Board of Directors	Millennium bcp – Prestação de Serviços, ACE
	Vice-Chairman of the Board of Directors	Fundação Millennium bcp
	Member of the Remuneration Commission	BIM – Banco Internacional de Moçambique, AS

<i>Name</i>	<i>Position(s) held</i>	<i>Company/institution</i>
António Manuel de Seabra e Melo Rodrigues	Member of the Remuneration Commission	Seguradora Internacional de Moçambique, SARL
	Member of the Board of Directors	bcp holdings (USA), inc
	Member of the Board of Directors	Banca Millennium, S.A. (Roménia)
	Member of the Executive Board	Banco Comercial Português, S.A.
	Member of the Board of Directors	Banco ActivoBank (Portugal), S.A.
	Vice-Chairman of the Board of Directors	Millennium bcp – Prestação de Serviços, ACE
	Member of the Board of Directors	Fundação Millennium bcp
	Member of the Board of Directors	Seguros & Pensões Gere, SGPS, S.A.
	Manager	BCP Participações Financeiras, SGPS, Sociedade Unipessoal, Lda
	Manager	BCP Internacional II, Sociedade Unipessoal, SGPS Lda
António Manuel Pereira Caldas de Castro Henriques	Member of the Board of Directors	bcp holdings (USA), inc
	Member of the Executive Board of Directors	Banco Comercial Português, S.A.
	Member of the Board of Directors	Banco ActivoBank (Portugal), S.A.
	Chairman of the Board of Directors	Banque Privée BCP (Suisse), S.A.
	Vice-Chairman of the Board of Directors	Millennium bcp Fortis Grupo Segurador, SGPS, S.A.
	Vice-Chairman of the Board of Directors	Médis – Companhia Portuguesa de Seguros de Saúde, S.A.
	Vice-Chairman of the Board of Directors	Ocidental – Companhia Portuguesa de Seguros, S.A.
	Vice-Chairman of the Board of Directors	Ocidental – Companhia Portuguesa de Seguros de Vida, S.A.
	Vice-Chairman of the Board of Directors	Pensões Gere – Sociedade Gestora de Fundos de Pensões, S.A.
	Member of the Board of Directors	Millennium bcp – Prestação de Serviços, ACE
	Member of the Board of Directors	Fundação Millennium bcp
	Vice-Chairman of the Board of Directors	BIM – Banco Internacional de Moçambique, SARL
	Manager	BCP Participações Financeiras, SGPS, Sociedade Unipessoal, Lda
	Manager	BCP Internacional II, Sociedade Unipessoal, SGPS Lda
	Chairman of the Board of Directors	bcp holdings (USA), inc
	Chairman of the Board of Directors	Banco Millennium Angola, S.A.

<i>Name</i>	<i>Position(s) held</i>	<i>Company/institution</i>
Alípio Barrosa Pereira Dias	Member of the Executive Board of Directors	Banco Comercial Português, S.A.
	Member of the Board of Directors	Banco Millennium bcp Investimento, S.A.
	Manager	VSC – Aluger de Veiculos sem Condutor, Lda
	Member of the Board of Directors	Millennium bcp – Prestação de Serviços, ACE
	Member of the Board of Directors	Fundação Millennium bcp
	Member of the Board of Directors	Seguros & Pensões Gere, SGPS, S.A.
	Manager	BCP Participações Financeiras, SGPS, Sociedade Unipessoal, Lda
Alexandre Alberto Bastos Gomes	Manager	BCP Internacional II, Sociedade Unipessoal, SGPS Lda
	Member of the Executive Board of Directors	Banco Comercial Português, S.A.
	Member of the Board of Directors	Banco ActivoBank (Portugal), S.A.
	Member of the Board of Directors	Millennium bcp – Prestação de Serviços, ACE
	Member of the Board of Directors	Seguros & Pensões Gere, SGPS, S.A.
Francisco José Queiroz de Barros de Lacerda	Member of the Board of Directors	Fundação Millennium bcp
	Member of the Executive Board of Directors	Banco Comercial Português, S.A.
	Member of the Board of Directors	Banco Millennium bcp Investimento, S.A.
	Member of the Supervisory Board	Bank Millennium, S.A. (Polónia)
	Member of the Senior Board	Millennium Bank, S.A. (Grécia)
	Vice-Chairman of the Board of Directors	Millennium Bank, A.S. (Turquia)
	Member of the Board of Directors	Millennium bcp – Prestação de Serviços, ACE
	Member of the Board of Directors	Fundação Millennium bcp
	Member of the Board of Directors	Seguros & Pensões Gere, SGPS, S.A.
	Manager	BCP Participações Financeiras, SGPS, Sociedade Unipessoal, Lda
Boguslaw Jorzy Kott	Manager	BCP Internacional II, Sociedade Unipessoal, SGPS Lda
	Chairman of the Board of Directors	Banca Millennium, S.A.
	Member of the Executive Board of Directors	Banco Comercial Português, S.A.
	Chairman of the Management Board and CEO	Bank Millennium, S.A. (Polónia)
	Chairman of the Supervisory Board	Millennium Dom Maklerski, S.A.
	Chairman of the Supervisory Board	Millennium Leasing Sp. Z.o.o.
	Member of the Board of Directors	Fundação Millennium bcp

<i>Name</i>	<i>Position(s) held</i>	<i>Company/institution</i>
	Member of the Senior Board	bcp holdings (usa), inc.
	Member of the Board of Directors	Millennium bcp – Prestação de Serviços, ACE
	Chairman of the Board	Millennium bcp Bank, NA
	Member of the Board of Directors	Banca Millennium, SA (Roménia)

The business address for each of the Directors of the Issuer is Rua Augusta, N° 84, 4º, 1100-053 Lisbon, Portugal.

Positions held outside the Banco Comercial Português Group by Banco Comercial Português Board Members, which are significant with respect to the Banco Comercial Português Group:

<i>Name</i>	<i>Position(s) held</i>	<i>Company/institution</i>
Paulo Jorge de Assunção Rodrigues Teixeira Pinto	Vice Chairman of the Board on behalf of BCP Member of the Supervisory Board	EDP – Energias de Portugal, S.A.
Filipe de Jesus Pinhal	Member Member	Conselho Nacional do Consumo Conselho Económico e Social
António Manuel Pereira Caldas de Castro Henriques	Member of the Board of Directors Member of the Senior Board Vice-Chairman of the Supervisory Board	APS – Associação Portuguesa de Seguradoras AAMBA – Ass. Dos Antigos Alunos do MBA da Universidade Nova de Lisboa Federação Portuguesa dos Bancos Alimentares contra a Fome

Other than as disclosed above, no Director of the Issuer has any activities outside the Issuer, which are significant with respect to the Issuer.

There are no potential conflicts of interest between the duties to the Issuer of the persons listed above and their private interests or duties.

The Issuer complies with general provisions of Portuguese law on corporate governance.

Audit Committee

The Audit and Risk Committee is a specialised committee of the Supervisory Board of Banco Comercial Português, advising the Supervisory Board on matters related to financial management and statements, system of internal control, risk management and compliance policies and independence of the Statutory Auditor and External Auditors. The Supervisory Board is the governing body responsible for the Supervision function, according to the double-tier governance model adopted by the Issuer.

The Audit and Risk Committee is composed of Advising Members, that are either permanent or alternate members of the Supervisory Board specifically appointed to this committee, and Expert Members, able to contribute to the good functioning and performance of the committee through their academic qualifications and professional experience.

The Audit, Security and Anti-Money Laundering Commission is a specialised commission of the Issuer's Executive Board of Directors. Its principal objectives are to define strategic guidelines, as well as assessing the most relevant aspects for each step of the auditing, physical security and anti-money laundering system processes.

This commission comprises ten members, of whom five are members of the Issuer's Executive Board of Directors, chaired by the Issuer's CEO, Mr. Paulo Teixeira Pinto, and including Mr. Christopher de Beck, Mr. António Rodrigues, Mr. Alexandre Bastos Gomes and Mr. Alípio Dias. This Commission also comprises the Heads of Internal Audit, Compliance and Security Divisions.

The Internal Audit Division is responsible for ensuring the implementation of the defined policies and guidelines and conducting all activities pertaining to the internal audit function.

THE PORTUGUESE MORTGAGE MARKET AND THE SERVICING OF THE COVER POOL

Since joining the European Union in 1986 the Portuguese economy has been improving on its living standards in a catching up process towards income and welfare levels of the European Union average. GDP per capita has increased from less than 60% of EU5 average in 1986 to around 70% currently. The convergence process and the full participation in the European project during the 1990's provided a favourable environment, of political and financial stability, conducive to a strong expansion of the mortgage business in Portugal. Latest developments show the growth convergence momentum to have moderated significantly since 2001. Though continuing to expand, over the recent years, the mortgage market has turned more mature, revealing greater stability.

1. Long term developments

The Portuguese economy experienced a strong performance during the latest two decades, driven by the process of cohesion (1985-1993) and convergence (1993-1998), but facing new challenges in the current phase of the single currency (1999- to date).

During the first two phases, from the high readings of unemployment, inflation and public deficit recorded in the mid 1980's, Portugal managed to comply with Maastricht criteria ten years later, as a founding member of the single currency. The unemployment rate moved down from 9% to 4%, inflation dropped significantly, from almost 30% in 1985 to 2% in late 1990's, and the public finances gradually became more sustainable, with the general government deficit being cut from around 10% of GDP to roughly 2% during the same period. In those years, real GDP growth averaged 3,5% per year, helping GDP per capita to quickly recover vis-a vis the European average.

The buoyancy of economic activity was further reinforced by the nominal convergence of the financial variables to European standards and by the financial markets liberalisation in the form of a reduction of credit constraints under the aegis of the single currency. The Maastricht criteria (inflation, interest rates, public accounts) provided a strong anchor for market expectations and investment expansion. An adequate policy mix, the strong inflows supporting the domestic currency, consistent gains in productivity, stable oil prices, a strong public commitment to joining EMU, all provided a very favourable environment for decreasing inflation and market stability that ended up in a sharp downfall of interest rates. The 3 month Lisbon interbank offered rate moved from 10% in 1993 to about 3% six years later. These conditions fostered a strong degree of confidence among investors and households, which proved quite fortunate for the mortgage business. At the same time, the deregulation and liberalisation of the banking and financial markets, implemented at the beginning of the 1990's (up to 1992 the mortgage business was restricted to three public institutions), reinforced the competition among market participants eager to get a bigger share in such a strategic banking segment, due to its lower delinquency incidences and as a platform for the deepening of customer's relationship. The "feel-good" factor, gains in employment and wages, the availability of credit associated with innovative financial products and marketing campaigns, and the upgrade in the quality of the new housing supplied sustained a strong increase in the demand for residential property, becoming a superior alternative to the non-functioning rental market. Hence, the growth rate of credit granted to households boomed during for most of the 1990's, topping 38% (y-o-y) in 1998.

After 2000, the Portuguese economic convergence process stalled. The loss of the exchange rate devaluation option, putting greater emphasis in productivity gains and in other flexibility mechanisms, the oil shock, the global slowdown induced by the "dot-coms" bubble burst, the more risk averse sentiment that ensued after 9/11 and increasing integration of emerging economies in the global market place, like Asia and CEE countries producers, competing in Portuguese traditional markets but with a cost comparative advantage (namely in labor-intensive sectors) meant a more unfavourable external environment faced the Portuguese economy. At the domestic level, after years adjusting to the reality of the euro-area membership, the households build up of debt, higher economic uncertainty and the incapacity of fiscal policy to fill the void, due to the accumulation of fiscal imbalances over the 1998-2001 period, led to a downward adjustment of expenditure patterns. Thus, in sharp contrast with 1990's performance, GDP growth averaged 1,3% from 2000 to 2006 (2,2% for the euro average), with a recession effectively happening by 2003 (-0,7%). As the global environment turned more adverse to the mortgage business and regulatory changes came to the fore (end of new subsidised housing loans after Sept.30, 2002), credit momentum subsided. Even so, the easing in monetary conditions, further accommodated by less restrictive

lending standards set by the financial industry (extension of the loan horizon, initial grace period, margins compression), partially offset those effects and kept housing loans growing at an healthy 10% rate per year since 2003. In this more challenging environment, adequate scoring systems, judicious allocation of capital, strong own ownership ratio in the housing market and financial innovation, aiming to ease the financial burden on households' budgets, have concurred for holding non-performing loans at an historical low.

2. Current situation

The year of 2006 marks a change from the past few years, with GDP dynamics picking up, to 1,3% (annual growth rate) and coincident and leading indicators pointing to ongoing recovery. Though well below the EU average (2,8% GDP growth in 2006) the strong contribution to growth from the net external demand, with some evidence of recovery of export markets share, amid a highly restrictive fiscal policy (draconian measures, ranging from raising taxes to public expenses restraint, have been implemented since mid 2005), are evidence that the Portuguese economy has been slowly adjusting to the economic environment. Among domestic demand components, to note the decrease in the investment spending (-1,7% annual growth in 2006), stemming from the adjustment going on in the construction business, negatively affected by the restraint in public works, increase in interest rates and low propensity of businesses to invest. The Governments' austerity measures led to results, with the public deficit goals being overachieved. The public deficit declined from 6,0% of GDP in 2005 to 3,9% in 2006 (vs an initial target of 4,6%), helping to lower-adjust the goal for 2007 to nearer the criteria (3,3% of GDP).

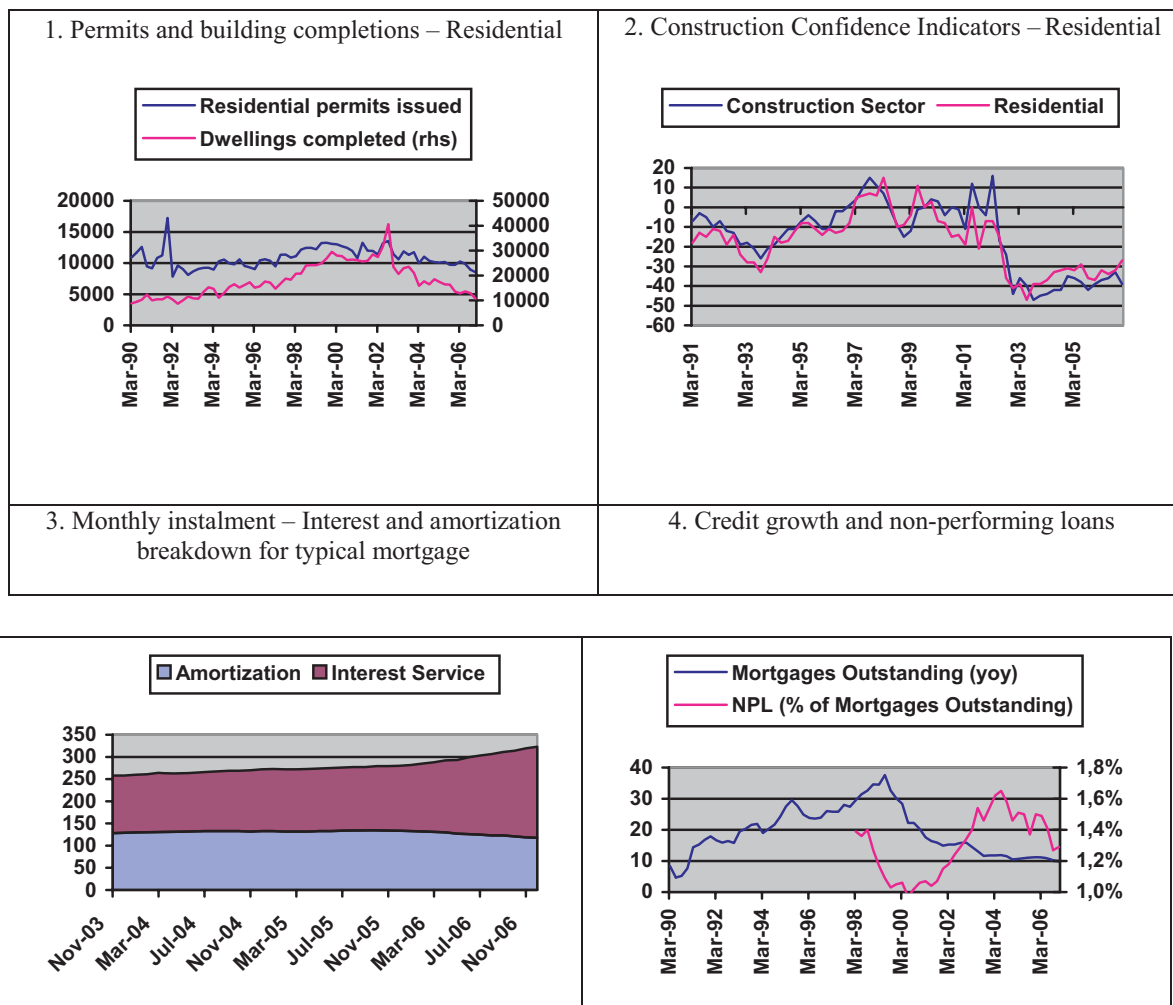
After peaking in late 2002, residential permits issued and new dwellings completed have been in a downward trend, contributing to the rebalancing of supply and demand. So, in spite of the housing market slowdown, no significant fall in house prices has occurred. Contrary to the recent experience of several European countries, on average, residential property prices in Portugal have been stable over the past couple of years, barely increasing in real terms, though in some regions of the country, where stocks of unsold homes increased, house prices have declined. Having slump in late 2002, confidence readings in the construction sector are now slowly recovering.

As the growth rate of mortgage lending has been above nominal GDP, the ratio of mortgage outstanding per nominal GDP has consistently moved upwards, from slightly less of 20% by the end of 1995 to around 60% in 2006. In terms of overall credit, the mortgage business has also gained in importance, currently accounting for around 80% of the total credit granted to the private individuals, roughly reaching €93 Billion. Most of it is concentrated in the wide metropolitan areas of Lisbon and Porto. The six largest banking groups in Portugal are the originators of most of the residential property loans. Together, Banco Comercial Português and Caixa Geral de Depósitos accounted for about half of the new production in mortgage loans in 2006.

The residential mortgage legal framework has changed over the years, from a highly regulated market, with few specialized institutions qualified for granting mortgage loans, to a more liberalised framework. Subsidies for new loans were discontinued (2002) and the terms of the loans were liberalised (2005), allowing financial institutions to extend the loan horizon over to 50 years, provided the customer's age does not exceed 75 years old. For 2007 onwards, new legislation establishes a maximum penalty for the transfer of the mortgage loan between credit institutions, conditional on the type of the indexer, and specific rounding procedures regarding the interest rate charged. This set of rules is expected to further enhance competition in the market place.

The majority of mortgage lending is done at variable interest rate, with the most popular benchmark being the 3 months or the 6 month Euribor. Though available, fixed lending or capped rate alternatives have not been on demand due to the more penalising initial monthly instalment. The spread over the benchmark depends on several factors, like credit trustworthiness, LTVs (at 80% for new loans), banking relationship, or other collateral arrangements. The widespread use of contracts at variable interest rate leaves households more exposed to the interest rate risk, especially in an environment of monetary policy tightening and increased indebtedness levels. According to data compiled by the National Statistics Institute, for the typical mortgage outstanding, the relevant interest rate increased by 1,2 percentage points in the twelve months ended Dec.2006, closely mirroring the European Central Bank's change in the main refinancing rate. Despite the higher service burden (a 40% increase in interest charged along 2006), the monthly instalment change was milder (around 15%) as credit institutions accommodated the increase in interest rates through the extension of the loan horizon, softening the impact on household's

budgets that at around 115% of disposable income rank among the most indebted households in the euro area. Notwithstanding this heightened vulnerability, mortgage non-performing loans (% of outstanding) remain close to historical lows and decreasing in absolute terms (-3,2% year on year in Dec.06). The total debt service is estimated at around 12% of disposable income, half of it interest service related.



(Source: BdP and INE)

DESCRIPTION OF BCP's RESIDENTIAL MORTGAGE BUSINESS

In 1992, Millennium bcp established, in association with Cariplo – Cassa di Risparmio delle Provincie Lombarde S.p.A. (“Cariplo”) (now a part of the Italian financial group Banca Intesa), an autonomous residential mortgage bank – Banco de Investimento Imobiliário S.A., or “BII”. Until December 2000, all residential mortgage loan business generated by the Millennium bcp branch network and by BII's own branches was booked at and administered by BII. In December 2000, all residential mortgage loans granted by BII to clients of the BCP Group were separated from BII and merged into Millennium bcp. Since then, Millennium bcp has granted mortgage loans to its clients directly.

Origination

Millennium bcp's residential mortgages are originated at the branch level as a result of direct contact with borrowers and also from proposals submitted by real estate agents and insurance agents.

Underwriting

The Millennium bcp residential mortgage loan proposals are prepared at the branch level by commercial analysts who issue their opinion and input loan and prospective borrower details into a workflow application.

The Credit Division (*Direcção de Crédito*) located in Tagus Park – Oeiras assesses each proposal submitted by Millennium bcp branches which are held electronically. During the review at the underwriting area, further checks are made regarding borrower delinquencies in respect of any loan facilities from other BCP Group companies, total borrowing and defaults communicated by the Bank of Portugal, bank account information in Millennium bcp's Customer Information System, bank accounts movements in other banks and additional information collected by the branch officers (e.g. other assets owned by the client). After a preliminary decision has been taken, an internal memo is electronically sent to the branch and, in the case of a favourable decision, a valuation request is also automatically sent to a randomly selected independent property evaluator. This appraisal methodology is designed to provide a preliminary approval or rejection to each proposal within 24 hours of receipt. At this stage, a favourable decision is still subject to confirmation of all data provided and a formal letter of approval will be issued only after the Mortgage Contracting Division (*Direcção de Contratação de Crédito à Habitação*) responsible for executing the loan agreement has received and reviewed all relevant physical evidence in the file.

Insurance cover

Life and property insurance coverage is required, although the former is waived in some exceptional cases. While life insurance covers the amount of the loan, property insurance covers the replacement cost of a new reconstruction of the property.

Mortgage Products

Under the laws of the Portuguese Republic, since 2nd November 2002, the maturity of new residential mortgage loans is freely agreed among the parties. At BCP Group it cannot exceed 50 years. Shorter maturity loans are common, with the most recent ones having an average maturity of approximately 37 years. The vast majority of residential mortgage loans pay interest on a floating rate basis indexed to three month EURIBOR with a spread depending on the LTV ratio and loan amount. Although fixed interest rate loans are available, borrowers have not, to date, seen them as an attractive alternative. All loans, once fully drawn, must be paid in instalments with payments of interest and principal paid by direct debit, usually on a monthly basis.

Arrears Procedures

Delinquencies less than 15 days old are dealt with directly at the branch level. Branch officials receive a daily report on arrears, based on which they are expected to take appropriate action leveraging their existing relationship with the borrower. Once 15 days overdue, loans are transferred to the Credit Recovery Division (*Direcção de Recuperação de Crédito*). Between the 15th and 45th day, a collection call centre will handle contacts with clients. If action proves to be unsuccessful, loans are transferred to the appropriate Credit Recovery Unit, depending on the total exposure to the client and/or the type of product in question. During a period which normally does not exceed six months from the overdue date, the recovery division explores different approaches on a case by case basis. If these efforts are not effective, the delinquent loan is sent to the legal division for the commencement of enforcement proceedings, which typically take an additional two to four years to complete. At the same time, the recovery agent who manages the relationship with the client, will continue to seek an out-of-court solution. Throughout the whole recovery process a set of letters following a sequential pattern is sent to the client and any guarantors in order to inform the debtors and facilitate the recovery process.

USE OF PROCEEDS

The net proceeds resulting from each issue of Covered Bonds will be applied by the Issuer for its general corporate purposes.

THE COVERED BONDS LAW

FRAMEWORK

The Covered Bonds Law introduced a framework for the issuance of asset covered debt securities into Portuguese law.

The Covered Bonds Law has been supplemented by secondary legislation issued by the Bank of Portugal (the “**Bank of Portugal Regulations**”), which comprises both regulatory notices (“*Avisos*”) and instructions. The Bank of Portugal Regulations address matters such as the segregation of cover pool assets from the insolvent estate of the issuer in the event of insolvency, the compliance with asset and liability matching requirements and the methodology for valuation of mortgages and properties.

ISSUERS OF COVERED BONDS

Mortgage covered bonds (“*obrigações hipotecárias*”) may be issued by credit institutions (the “**Institutions**”) legally authorised to grant credit guaranteed by mortgages over property and having own funds amounting to no less than €7,500,000. 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 and (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 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 secured by a Mortgage and/or any Additional Security which are:
 - (a) not yet matured, and which are neither subject to conditions nor encumbered, judicially seized or apprehended and which are secured by first ranking mortgages over residential or commercial real estate located in an EU member state;
 - (b) notwithstanding (a) above, are 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) are 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.
- Other assets (up to 20 per cent. of the aggregate cover pool), such as:
 - (a) deposits with the Bank of Portugal in cash or in 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 equal to or higher than the minimum rating required at any time by the Rating Agencies, provided that such minimum rating shall in any event be at least “A-” or equivalent); and
 - (c) other assets complying simultaneously with the requisites of low risk and high and high liquidity as defined by the Bank of Portugal.

The geographical scope of eligible assets is restricted to credits guaranteed by first ranking mortgages on property located in the EU or loans granted to central governments and regional or local authorities located in an EU Member State.

Hedging contracts may also be included in the cover pool for hedging purposes, namely to hedge interest rate, exchange rate and liquidity risks. The Bank of Portugal Regulations contain certain rules governing the limits and conditions for the use of these hedging contracts.

The cover pool is of a dynamic nature. Accordingly, the Institution may be required, or may otherwise decide, to include new assets in such cover pool or substitute assets in case the existing ones no longer comply with the applicable financial and prudential requirements.

Furthermore, an Institution is required by the Covered Bonds Law to maintain a register of all the assets comprised in the cover pool, including hedging contracts.

VALUATION AND LTV CRITERIA

Institutions are required to conduct valuations of mortgage properties and periodic updates of such valuations in accordance with the rules defined by the Bank of Portugal (in particular, pursuant to Regulation 5/2006, which establishes rules on the methods and frequency of the valuations of assets and derivatives).

The maximum Loan to Value for residential mortgages is 80 per cent. and 60 per cent. for commercial mortgages loans.

The value of each property securing a mortgage credit comprised in a cover pool may not be higher than the commercial value of such property, determined in accordance with prudent criteria and taking into consideration (i) the sustainable long term characteristics of such property, (ii) the standard conditions of the local market, (iii) the current use of the relevant property, and (iv) any alternative uses of each such property.

Pursuant to the requirements of Regulation 5/2006, the commercial value awarded by an issuer of covered bonds to each of the properties securing mortgage credits comprised in a cover pool may not be higher than the market value of the relevant properties. For these purposes, the market value of each property corresponds to the price by which such property can be purchased by a third party purchaser on the date of the valuation of such property, assuming that (i) the property is publicly put on sale, (ii) the market conditions allow for a regular transfer of the property and (iii) there is a normal period of time to negotiate the corresponding purchase and sale, considering the nature of the property.

Regulation 5/2006 contains detailed provisions regarding valuation of properties securing mortgage credits included in a cover pool (including subsequent valuations), the methods and frequency for such valuations, the appointment, remuneration and role of the real estate valuation experts and transitional provisions concerning valuations made prior to the enactment of the Bank of Portugal Regulations.

ASSET-LIABILITY MANAGEMENT AND FINANCIAL REQUIREMENTS

The Covered Bonds Law and the Bank of Portugal Regulations establish the following asset and liabilities matching requirements:

- The global nominal value of the outstanding mortgage covered bonds cannot exceed 95 per cent. of the global value of the mortgage credits and other assets at any time comprised in the relevant cover pool (i.e., a mandatory overcollateralisation of 5.2632 per cent.).
- The average maturity of outstanding mortgage covered bonds cannot exceed the average maturity of the mortgage credits and substitution assets allocated to the relevant issue of covered bonds.
- The total amount of interest to be paid by an Institution under any covered bonds shall not exceed, at any time, the amount of interest to be collected from the mortgage credits and other assets comprised in the corresponding cover pool – 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 allocated 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 any 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, 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 Regulation 8/2006, any Substitute Credit Institution appointed by the Bank of Portugal to service the cover pool following insolvency of the Institution shall: (i) immediately upon being appointed, prepare an opening balance sheet in relation to the cover pool, supplemented by

the corresponding explanatory notes; (ii) perform all acts and things necessary or convenient for the prudent management of the cover pool, including, without limitation, selling the mortgage credits comprised in the cover pool; ensuring the timely collection in respect of the mortgage assets comprised in the cover pool; and performing all other acts and administrative services in connection with such mortgage assets and related mortgages and additional security; (iii) maintain and keep updated a segregated register of the cover pool in accordance with the Covered Bonds Law; and (iv) prepare an annual financial report in relation to the cover pool and the outstanding covered bonds, which report shall be the subject of an auditing report produced by an independent auditor who shall be appointed as cover pool monitor by the Substitute Credit Institution.

Furthermore, any Substitute Credit Institution appointed by the Bank of Portugal to service the cover pool following the insolvency of an Institution shall perform all acts and things necessary or convenient for maintaining the relationship with the borrowers under the mortgage credits comprised in the relevant cover pool.

Preferential status for covered bonds holders

Pursuant to the Covered Bonds Law, holders of covered bonds benefit from a special creditor privilege over the assets assigned to the issue, with precedence over any other creditors, for the purpose of redemption of principal and receipt of interest corresponding to the relevant covered bonds.

The mortgages that serve as collateral for the entitlements of the holders of covered bonds prevail over any real estate preferential claims. If the assets comprised in the cover pool are not enough to pay interest and principal under the covered bonds, the holders of covered bonds will then rank *pari passu* with unsecured creditors of the relevant Institution.

The hedging contracts entered into by the Institution also form part of the cover pool and thus the relevant counterparties will also benefit from the special creditor privilege over such cover pool. Accordingly, these counterparties will have similar rights to those of the holders of the covered bonds and, consequently, their contracts are not expected to be called in case of insolvency of the Institution.

Pursuant to the Covered Bonds Law, in the case of dissolution and winding-up of an Institution, a meeting of holders of all Series of covered bonds then outstanding may decide, by a 2/3 majority vote, to accelerate the covered bonds, in which case the administrator shall provide for the settlement of the estate allocated to the relevant issue in accordance with the provisions defined in the Covered Bonds Law and in the relevant terms and conditions that govern such issue.

RISK-WEIGHTING & COMPLIANCE WITH EUROPEAN LEGISLATION

Covered bonds issued in accordance with the Covered Bonds Law are in compliance with the requirements of article 22 para. 4 of the UCITS Directive as well as with Annex VI, Part 1, Paragraph 65 (a) to (f) of the Capital Requirements Directive. Accordingly, pursuant to Regulation 7/2006, a 10 per cent. risk-weight shall be applied to covered bonds issued pursuant to the Covered Bonds Law.

TAXATION

Portugal

The following is a general summary of the Issuer's understanding of current law and practice in Portugal as in effect on the date of this Base Prospectus in relation to certain current relevant aspects to Portuguese taxation of the Covered Bonds and is subject to changes in such laws, including changes that could have a retroactive effect. The following summary is intended as a general guide only and is not exhaustive. It is not intended to be, nor should it be considered to be, legal or tax advice to any holder of Covered Bonds. It does not take into account or discuss the tax laws of any country other than Portugal and relates only to the position of persons who are absolute beneficial owners of Covered Bonds. Prospective investors are advised to consult their own tax advisers as to the Portuguese or other 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 are deemed to be, residents.

The reference to "interest", "other investment income" and "capital gains" in the paragraphs below means "interest", "other investment income" and "capital gains" as understood in Portuguese tax law. The statements below do not take any account of any different definitions of "interest", "other investment income" or "capital gains" which may prevail under any other law.

1. Covered Bonds not held through a centralised control system

Interest and other types of investment income obtained on Covered Bonds by a Portuguese resident individual is subject to individual tax. If the payment of interest or other investment income is made available to Portuguese resident individuals, withholding tax applies at a rate of 20 per cent., which is the final tax on that income unless the individual elects to include it in his taxable income, subject to tax at progressive rates of up to 42%. In this case, the tax withheld is deemed a payment on account of the final tax due.

In the case of zero coupon Covered Bonds, the difference between the redemption value and the subscription cost is qualified as investment income and is also subject to Portuguese income tax.

Capital gains obtained by Portuguese resident individuals on the transfer of Covered Bonds are not subject to tax. Accrued interest qualifies as investment income, rather than as capital gains for tax purposes.

Interest and other investment income derived from Covered Bonds and capital gains realised 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 tax at a rate of 25 per cent. and may be subject to a municipality surcharge ("derrama") of up to 1.5 per cent. on their taxable profits. Withholding tax at a rate of 20 per cent. applies, which is deemed a payment on account of the final tax due.

Financial institutions, pension funds, retirement and/or education savings funds, share savings funds, venture capital funds and some exempt entities, among other entities, are not subject to withholding tax.

Interest and other types of investment income obtained by non resident beneficial owners (individuals or legal persons) without a Portuguese permanent establishment to which the income is attributable is subject to withholding tax at a rate of 20 per cent., which is the final tax on that income.

Under the tax treaties entered into by Portugal which are in full force and effect on the date of this Base Prospectus, the withholding tax rate may be reduced to 15, 12 or 10 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 were approved by Order ("Despacho") n. 11 701/2003 (2.nd series), published in the Portuguese official gazette, second series, n. 138, of 17 June 2003 of the Portuguese Minister of Finance and may be available at www.dgci.min-financas.pt.

Capital gains obtained by non resident individuals on the transfer of Covered Bonds are not subject to tax. Accrued interest does not qualify as capital gains for tax purposes.

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, unless the share capital of 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 (“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 corporate income tax, but the applicable rules should be confirmed on a case by case basis.

Stamp tax at a rate of 10% applies to the acquisition through gift or inheritance of Covered Bonds by an individual who is domiciled in Portugal. An exemption applies to transfers in favour of the spouse, descendants and parents/ grandparents. The acquisition of Covered Bonds through gift or inheritance by a Portuguese resident legal person or a non resident acting through a Portuguese permanent establishment is subject to corporate tax, at a rate of 25 per cent. A municipal surcharge of up to 1.5% on taxable profits may also be due.

No stamp tax applies to the acquisition through gift and inheritance of Covered Bonds by an individual who is not domiciled in Portugal. The acquisition of Covered Bonds through gift or inheritance by a non resident legal person is 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.

There is no wealth or estate tax in Portugal.

2. Covered Bonds held through a centralised control system

The regime described in 1. above corresponds to the general tax treatment of investment income and capital gains on Covered Bonds and to the acquisition through gift or inheritance of such Bonds.

Nevertheless, pursuant to the Special Tax Regime for Debt Securities, approved by Decree-law 193/2005, of 7 November 2005, as amended from time to time (hereafter “the special regime approved by Decree-law 193/2005”), which is in full force and effect as from 1 January 2006, investment income and gains on the disposal of debt securities issued by Portuguese resident entities, such as the Covered Bonds obtained by non-resident beneficial owners, are exempt from Portuguese income tax provided that the debt securities are integrated in a centralised system recognised under the Securities Code and complementary legislation (such as the Central de Valores Mobiliários, managed by Interbolsa), and:

- (i) the beneficial owners have no residence, head office, effective management or permanent establishment in the Portuguese territory to which the income is attributable; and
- (ii) the beneficial owners are not held, directly or indirectly, in more than 20 per cent. by Portuguese resident entities; and
- (iii) the beneficial owners are not domiciled in a country, territory or region subject to a clearly more favourable tax regime included in the list approved by the Ministerial Order n. 150/2004, of 13 February), except if they are central banks and governmental agencies.

The special regime approved by Decree-law 193/2005 sets out the detailed rules and procedures to be followed on the proof of non residence by the beneficial owners of the bonds to which it applies. Under these rules, the direct register entity (i.e. the entity affiliated to the centralised system where the securities are integrated), as the entity holding the relevant account with the relevant centralised system in which the Covered Bonds are integrated, will be under the obligation to obtain and keep proof, in the form described below, that the beneficial owner is a non resident entity that is entitled to the exemption. As a general rule, the evidence of non residence status should be provided to, and received by, the direct registration entities prior to the relevant date for payment of any interest, or the redemption date (for zero coupon Covered Bonds), and prior to the transfer of Covered Bonds date, as the case may be.

The following is a general description of the rules and procedures on the proof required for the exemption to apply at source, as they stand on the date of this Base Prospectus.

(a) Domestically Cleared Covered Bonds

The beneficial owner of Covered Bonds must provide proof of non residence in Portuguese territory substantially in the terms set forth below.

- (i) If the beneficial owner of Covered Bonds is a central bank, an international organisation or a public law institution integrated in the Public Administration (either central, regional, peripheral, indirect or autonomous) , a declaration of tax residence issued by the beneficial owner of Covered Bonds itself, duly signed and authenticated or proof pursuant to (ii) or (iv) below;
- (ii) If the beneficial owner of Covered Bonds is a credit institution, a financial company, a pension fund or an insurance company domiciled in any OECD country or in a country with which Portugal has entered into a double taxation treaty and is subject to a special supervision regime or administrative registration, certification shall be made by means of the following: (A) its tax identification; or (B) a certificate issued by the entity responsible for such supervision or registration confirming the legal existence of the beneficial owner of Covered Bonds and its domicile; or (C) proof of non residence pursuant to (iv) below.
- (iii) If the beneficial owner of Covered Bonds is either an investment fund or other type of collective investment undertaking domiciled in any OECD country or any country with which Portugal has entered into a double tax treaty, certification shall be provided by means of any of the following documents: (A) declaration issued by the entity which is responsible for its registration or supervision or by the tax authorities, confirming its legal existence, the law of incorporation and domicile; or (B) proof of non residence pursuant to (iv) below.
- (iv) In any other case, confirmation must be made by way of (A) a certificate of residence or equivalent document issued by the relevant tax authorities; or (B) a document issued by the relevant Portuguese consulate certifying residence abroad; or (C) a document specifically issued by an official entity of the public administration (either central, regional or peripheral, indirect or autonomous) of the relevant country certifying the residence; for these purposes, an identification document such as a passport or an identity card or document by means of which it is only indirectly possible to assume the relevant tax residence (such as a work or permanent residency permit) is not acceptable.

There are rules regarding the authenticity and validity of the documents mentioned in paragraph (iv) above, in particular that the beneficial owner of Covered Bonds must provide an original or a certified copy of the residence certificate or equivalent document. This document must be issued up to until 3 months after the date on which the withholding tax would have been applied and will be valid for a 3 year period starting on the date such document is produced. The beneficial owner of Covered Bonds must inform the register entity immediately of any change on the requirement conditions that may prevent the tax exemption to apply.

When the Covered Bonds are held by central banks or governmental agencies the respective proof of non-residence in Portuguese territory is provided just once, its periodical renewal not being necessary.

(b) Internationally Cleared Covered Bonds

If the Covered Bonds are held through a centralised system recognised under the Portuguese Securities Code and complementary legislation, and registered in an account with an international clearing system recognised by the Minister of Finance (such as Euroclear or Clearstream, Luxembourg) and the management entity of such international clearing system undertakes not to provide registration services to (i) residents for tax purposes in Portugal which do not benefit from either an exemption from Portuguese taxation or an exemption from Portuguese withholding tax, and (ii) non resident entities for tax purposes which do not benefit from the above Portuguese income tax exemption, special rules apply under which proof of the requirements to benefit from the exemption will be made through documents provided by the participants to the direct register entity through the international clearing system managing entity. These documents must take into account the total accounts under their management regarding each beneficial owner of Covered Bonds that are tax exempt or benefit from an exemption from Portuguese withholding tax.

The relevant procedures are as follows:

- (i) Filing a certificate, on a yearly basis, with the name of each beneficial owner, address, taxpayer number (if applicable), specification of the securities held and the legal basis for the exemption from taxation or from Portuguese withholding tax. Annex 1 to this Base Prospectus corresponds to the current form (English version) for these purposes and was approved by Order (“Despacho”) n. 4980/2006 (2.nd series), of the Portuguese Minister of Finance and Public Administration (currently “Ministro das Finanças e da Administração Pública”), published in the Portuguese official gazette, second series, n. 45, of 3 March 2006, and may be available at www.dgci.min-financas.pt.
- (ii) Alternatively, filing a yearly declaration that states that the beneficial owners are exempt or not subject to withholding tax. This declaration is complemented with a disclosure list, on each coupon payment date stating the beneficial owners names, addresses, taxpayer numbers (if applicable), quantity held, and the legal basis for the exemption from taxation or from Portuguese withholding tax. Annex 2 to this Base Prospectus corresponds to the current form (English version) for these purposes and was approved by Notice (“Aviso”) n. 3714/2006 (2.nd series), published in the Portuguese official gazette, second series, n. 59, of 23 March 2006 issued by the Portuguese Secretary of State for Tax Affairs (currently “Secretário de Estado dos Assuntos Fiscais”) and may be available at www.dgci.min-financas.pt.

In addition, the international clearing system managing entity shall inform the direct register entity of the income paid to each participant for each security payment.

No Portuguese exemption shall apply at source under the special regime approved by Decree-law 193/2005 if the above rules and procedures are not followed. Accordingly, the general Portuguese tax provisions shall apply as described above.

If the conditions for the exemption to apply are met, but, due to inaccurate or insufficient information, tax was withheld, a special refund procedure is available under the special regime approved by Decree-law 193/2005. The refund claim is to be submitted to the direct or indirect register entity of the Covered Bonds within 90 days from the date the withholding took place. A special tax form for these purposes was approved by Order (“Despacho”) n. 4980/2006 (2.nd series), published in the Portuguese official gazette, second series, n. 45, of 3 March 2006 issued by the Portuguese Minister of Finance and Public Administration (currently “Ministro das Finanças e da Administração Pública”) and may be available at www.dgci.min-financas.pt.

The refund of withholding tax in other circumstances or after the above 90 days period is to be claimed to the Portuguese tax authorities under the general procedures and within the general deadlines.

EU Savings Directive

Under the domestic rules that implemented Council Directive 2003/48/EC on the taxation of income in the form of interest payments (the Savings Directive), Member States are required, from 1 July, 2005, to provide to the tax authorities of other Member States details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. For a transitional period, Belgium, Luxembourg and Austria are instead required (unless the beneficial owners of the interest elect otherwise, agreeing on the exchange of information) to operate a withholding system in relation to such payments, the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries. Andorra, Liechtenstein, Monaco, San Marino and Switzerland have agreed to adopt a similar withholding system with effect from the same date. Ten dependent or associated territories adopted either a withholding tax or an information exchange system, also with effect from the same date.

SUBSCRIPTION AND SALE AND SECONDARY MARKET ARRANGEMENTS

The Dealers have, in the Programme Agreement dated 5 June 2007, agreed with the Issuer a basis upon which they or any of them may from time to time agree to purchase 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 update of the Programme and the issue of Covered Bonds under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

The following restrictions may be amended or supplemented in the relevant Final Terms.

United States

The Covered Bonds have not been and will not be registered under the Securities Act, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from the registration requirements of the Securities Act. The Covered Bonds are initially being offered and sold only outside the United States in reliance on Regulation S.

Terms used in this paragraph have the meanings given to them by Regulation S. In addition, the Covered Bonds in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

Each Dealer has agreed (and each further Dealer named in a Final Terms will be required to agree) that it will not offer or sell Covered Bonds (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Tranche of which such Covered Bonds are part, as determined and certified to the Agent by such Dealer (in the case of a non-syndicated issue) or the relevant Lead Dealer (in the case of a syndicated issue) within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells Covered Bonds during the Distribution Compliance Period a confirmation or other notice setting out the restrictions on offers and sales of the Covered Bonds within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have meanings given to them by Regulation S.

In addition, until 40 days after the completion of the distribution of all Covered Bonds of the Tranche of which such Covered Bonds are a part, an offer or sale of the Covered Bonds within the United States by any dealer whether or not participating in the offering of such Tranche may violate the registration requirements of the Securities Act.

Japan

The Covered Bonds have not been and will not be registered under the Securities and Exchange Law of Japan (the “**Securities and Exchange Law**”). Accordingly, each of the Dealers has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Covered Bonds in Japan or to, or for the benefit of, any resident of Japan or to others for re-offering or re-sale, directly or indirectly, in Japan to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with the Securities and Exchange Law and other relevant laws and regulations of Japan. As used in this paragraph, “resident of Japan” means any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

European Economic Area

In relation to each member state of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “**Relevant Implementation Date**”) it has not made and will not make an offer of Covered Bonds 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 Covered Bonds to the public in that Relevant Member State:

- (a) in the period beginning on the date of publication of a prospectus in relation to such offer which 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, or final terms in relation to such offer, as applicable, all in accordance with the Prospectus Directive and ending on the date specified in such prospectus or final terms, as applicable;
- (b) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (c) at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or
- (d) at any time in any other circumstances falling within Article 3) 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 includes any relevant implementing measure in each Relevant Member State.

United Kingdom

Each Dealer has represented and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Covered Bonds in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to such Covered Bonds in, from or otherwise involving, the United Kingdom.

Italy

The offering of the Covered Bonds has not been registered pursuant to Italian securities legislation and, accordingly, no Covered Bonds may be offered, sold or delivered, nor may copies of this Base Prospectus or of any other document relating to the Covered Bonds be distributed in the Republic of Italy, except:

- (i) to professional investors (“*operatori qualificati*”) as defined in Article 31, second paragraph of CONSOB (the Italian Securities Exchange Commission) Regulation no. 11522 of 1 July 1998, as amended (“**Regulation No. 11522**”); or
- (ii) in circumstances which are exempted from the rules on solicitation of investments pursuant to Article 100 of Legislative Decree No. 58 of 24 February 1998 (the “**Financial Services Act**”) and Article 33, first paragraph, of CONSOB Regulation No. 11971 of 14 May 1999, as amended.

Any offer, sale or delivery of the Covered Bonds or distribution of copies of this Base Prospectus or any other document relating to the Covered Bonds in the Republic of Italy under (i) or (ii) above must be:

- (A) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, Regulation 11522 and Legislative Decree No. 385 of 1 September 1993, as amended (the “**Banking Act**”);
- (B) in compliance with Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may request information on the issue or the offer of securities in the Republic of Italy; and

- (C) in accordance with any other applicable laws and regulations or requirement imposed by CONSOB.

Portugal

In relation to the Covered Bonds, each Dealer has represented and agreed 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, 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 market shall be notified to the CMVM for statistics 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 implementing the Prospectus Directive, 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 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 and each further Dealer appointed under the Programme will be required to agree that it will, to the best of its knowledge, comply with all relevant securities laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Covered Bonds or has in its possession or distributes the Base Prospectus, any other offering material or any Final Terms and neither the Issuer nor any other Dealer shall have responsibility therefor.

Secondary Market Arrangements

The Issuer may enter into agreements with Dealers or other persons in relation to a Tranche or Series of Covered Bonds whereby such Dealers may agree to provide liquidity in those Covered Bonds through bid and offer rate arrangements. The relevant Dealers or relevant persons in such agreements may agree to quote bid and offer prices for the relevant Covered Bonds at such rates and in such sizes as are specified in the relevant agreement and the provision of such quotes may be subject to other conditions as set out in the relevant agreement. Not all issues of Covered Bonds under the Programme will benefit from such agreements. A description of the main terms of

any such agreements and the names and addresses of the relevant Dealers or other persons who are party to such will be disclosed in the applicable Final Terms for the relevant Covered Bonds.

GENERAL INFORMATION

Authorisation

The establishment of the Programme was duly authorised by a resolution of the Board of Directors of the Issuer dated 7 May 2007, in accordance with the provisions of the Covered Bonds Law.

Listing

Application has been made to list the Covered Bonds on the London Stock Exchange's Gilt Edged and Fixed Interest Market.

Clearing systems

The Covered Bonds have been accepted for clearance through either Interbolsa or Euroclear and/or Clearstream Luxembourg, as specified in the applicable Final Terms. The appropriate Common Code and ISIN for each Tranche of Covered Bonds allocated by either Interbolsa or Euroclear and Clearstream, Luxembourg (as applicable) will be specified in the relevant Final Terms. If the Covered Bonds are to clear through an additional or alternative clearing system the appropriate information will be specified in the relevant Final Terms.

Conditions for Determining Price

The price and amount of Covered Bonds to be issued under the Programme will be determined by the Issuer and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions.

Expected first issue of Covered Bonds

The date for the first issue of Covered Bonds to be issued under the Programme is expected to occur between 22 June 2007 and 29 June 2007 provided (i) there is an agreement between the Issuer and the relevant Dealer(s) for such purpose, (ii) all regulatory approvals are obtained and (iii) the prevailing market conditions so allow.

Significant or material change

Save as disclosed in the "Recent Developments" section on pages 86 – 87 of this Base Prospectus, there has been no significant change in the financial or trading position of the Issuer since 31 December 2006 and there has been no material adverse change in the financial position or prospects of the Issuer since 31 December 2006.

Litigation

There have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the 12 months preceding the date of this Base Prospectus which may have or have had in the recent past significant effects on the Issuer's or the Group's financial position or profitability.

Accounts

The auditors of the Issuer are KPMG & Associados, SROC, SA ("KPMG"), (which is a member of the Portuguese Institute of Statutory Auditors ("*Ordem dos Revisores Oficiais de Contas*"), with registered office at Edifício Monumental, Av. Praia da Vitória 71 – A, 11º, 1069-006, Lisbon.

The consolidated financial statements of the Banco Comercial Português Group for the financial years ended 31 December 2005 and 31 December 2006 were prepared in accordance with International Financial Reporting Standards. The financial statements of the Banco Comercial Português Group were audited in accordance with International Standards on Auditing for each of the two years ended 31 December 2005 and 31 December 2006 by KPMG.

Documents Available

For the period of twelve months following the date of this Base Prospectus, copies of the following documents will, when published, be available for inspection at and may be obtained free of charge from the registered offices of the Issuer and from the specified offices of the Common Representative and the Paying Agents for the time being:

- (a) the constitutional documents (including the Articles of Association in English) of the Issuer;

- (b) the audited consolidated financial statements of the Issuer and the auditor's report contained in the Issuer's Annual Report in respect of the financial years ended 31 December 2005 and 31 December 2006 in English;
- (c) the most recently published audited annual consolidated financial statements of the Issuer and the most recently published unaudited interim consolidated financial statements (if any) of the Issuer (together with an English translation thereof);
- (d) the Programme Agreement and the Set of Agency Procedures, both dated 5 June 2007;
- (e) the Common Representative Appointment Agreement dated 5 June 2007;
- (e) this Base Prospectus;
- (f) any future prospectuses, offering circulars, information memoranda and supplements, including Final Terms (except for Final Terms relating to Covered Bonds which are not listed on any stock exchange), to this Base Prospectus and any other documents incorporated herein or therein by reference; and
- (g) in the case of an issue of Covered Bonds subscribed pursuant to a subscription agreement, the subscription agreement (or equivalent document).

Electronic copy of this Base Prospectus

Electronic copies of this Base Prospectus (and any supplements thereto) are available from the official website of the London Stock Exchange (www.londonstockexchange.com).

Post-issuance information

The Issuer does not intend to provide any post-issuance information in relation to any issues of Covered Bonds.

DEFINITIONS

In this Base Prospectus, the following defined terms have the meanings set out below:

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

“Additional Security” means any other encumbrances or guarantees the benefit of which is vested in the Issuer as security for the repayment of a Mortgage Credit.

“Agent” means Banco Comercial Português, S.A., in its capacity as Agent, with head office at Praça Dom João I, 28, 4000-434 Porto, Portugal.

“Arranger” means Barclays Bank PLC and any other entity appointed as an arranger for the Programme and references in this Base Prospectus to the Arranger shall be references to the relevant Arranger.

“Auditor” means KPMG & Associados, SROC, SA, member of the Portuguese Institute of Statutory Auditors (*“Ordem dos Revisores Oficiais de Contas”*), registered with the CMVM with registration number 9093, with registered office at Edifício Monumental, Av. Praia da Vitória 71 – A, 11º, 1069-006 Lisbon.

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

“Base Prospectus” means this base prospectus dated 5 June 2007 prepared in connection with the Programme.

“BCP” means Banco Comercial Português, S.A..

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

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

“Capital Requirements Directive” comprises Directive 2006/48/EC of the European Parliament and of the Council of 14 June 2006 relating to the taking up and pursuit of the business of credit institutions (recast) and Directive 2006/49/EC of the European Parliament and of the Council of 14 June 2006 on the capital adequacy of investment firms and credit institutions (recast).

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

“Clearing Systems” means Interbolsa, and/or Euroclear, and/or Clearstream, Luxembourg and/or, in relation to any Series of Covered Bonds, any other clearing system depositary as specified in the relevant Final Terms, and each a **“Clearing System”**.

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

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

“Co-Arranger” means Millennium Investment Banking 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.

“Common Representative Appointment Agreement” means the agreement dated 5 June 2007 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.

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

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

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

“Cover Pool Monitor” means KPMG & Associados – SROC, SA., member of the Portuguese Institute of Statutory Auditors (*“Ordem dos Revisores Oficiais de Contas”*), registered with the CMVM with registration number 9093, with registered office at Edifício Monumental, Av. Praia da Vitória 71 – A, 11º, 1069-006 Lisbon.

“Cover Pool Monitor Agreement” means the agreement dated 5 June 2007 entered into between the Issuer and the Cover Pool Monitor.

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

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

“Credit Institutions General Regime” means Decree-law no. 298/92 of 31 December, as amended by Decree-laws no. 246/95 of 14 September 1995, no. 232/96 of 5 December 1996, no. 222/99 of 22 June 1999, no. 250/2000 of 13 October 2000, no. 285/2001 of 3 November 2001, no. 201/2002 of 26 September 2002, no. 319/2002 of 28 December 2002 and no. 252/2003 of 17 October 2003.

“CSD” means a central securities depository.

“Current Property Value” means, in relation to a Property securing a Mortgage Credit, the updated Property Valuation of such Property.

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

- (i) if **“Actual/365”** or **“Actual/Actual”** is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (ii) if **“Actual/365 (Fixed)”** is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;
- (iii) if **“Actual/365 (Sterling)”** is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (iv) if **“Actual/360”** is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;
- (v) if **“30/360”**, **“360/360”** or **“Bond Basis”** is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (a) the last day of the Interest Period is the 31st day of a month but the first day of the Interest Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (b) the last day of the Interest Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month)); and

- (vi) if “**30E/360**” or “**Eurobond Basis**” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Interest Period unless, in the case of the final Interest Period, the Maturity Date is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month).

“**Dealers**” means ABN AMRO Bank plc, BANCO SANTANDER CENTRAL HISPANO, S.A., Barclays Bank PLC, Bayerische Hypo- und Vereinsbank AG, BNP Paribas, CALYON, Citigroup Global Markets Limited, Credit Suisse Securities (Europe) Limited, Deutsche Bank AG, London Branch, Dresdner Bank Aktiengesellschaft, DZ BANK AG, HSBC Bank plc, IXIS Corporate & Investment Bank, J.P. Morgan Securities Ltd., Merrill Lynch International, Millennium investment banking, Morgan Stanley & Co. International plc, Nomura International plc, Société Générale, The Royal Bank of Scotland plc and UBS Limited.

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

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

“**Determination Period**” means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date).

“**Distribution Compliance Period**” means, in respect of Covered Bonds held through Euroclear and Clearstream, Luxembourg, the period that ends 40 days after the completion of the distribution of each Tranche of Covered Bonds, as certified by the relevant Dealer(s) (in the case of a non-syndicated issue) or the relevant Lead Manager (in the case of a syndicated issue) and as determined by the Agent under the Set of Agency Procedures.

“**ECB**” means the European Central Bank.

“**EEA**” means the European Economic Area.

“**EU**” means the European Union.

“**Euro**”, “**€**” or “**euro**” means the lawful currency of member states of the European Union that adopt the single currency introduced in accordance with the Treaty.

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

“**Eurosystem**” means the central banking system for the Euro.

“**Exchange Date**” means the date which is 40 days after a Temporary Bearer Global Covered Bond is issued.

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

“**Fitch Ratings**” means Fitch Ratings Limited.

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

“**GBP**”, “**£**” or “**pounds sterling**” means pounds sterling, the lawful currency of the United Kingdom.

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

“**Group**” means the Issuer and its subsidiaries.

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

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

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

“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 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.

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

“ISDA” means the International Swaps and Derivatives Association Inc..

“Issue Date” means the date so specified in the applicable Final Terms being, in respect of any Covered Bond, the date of issue and purchase of such Covered Bond pursuant to and in accordance with the Programme Agreement or any other agreement between the Issuer and the relevant Dealer(s).

“Issuer” means Banco Commercial Português, S.A..

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

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

“Moody’s” means Moody’s Investors Service Ltd..

“Mortgage” means, in respect of any Mortgage Credit, the charge by way of voluntary mortgage over the relevant Property the benefit of which is vested in the Issuer as security for the repayment of that Mortgage Credit.

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

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

“NGN” means any bearer Covered Bond to be issued in new global note form.

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

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

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

- (a) deposits with the Bank of Portugal, in cash or in 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 equal to or higher than the minimum rating required at any time by the Rating Agencies, provided that such minimum rating shall in any event be at least “A-” or equivalent; and
- (c) other assets complying simultaneously with the requisites of low risk and high liquidity as defined by the Bank of Portugal.

For the avoidance of doubt, the Other Assets do not include any cash collateral that may be transferred under the Hedge 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 the 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 Set of Agency Procedures together with any successor or additional paying agents appointed from time to time in connection with the Covered Bonds under the Set of Agency Procedures.

“**Permanent Bearer Global Covered Bond**” means any Covered Bond issued in the form of a permanent bearer global covered bond.

“**Portuguese Companies Code**” means the commercial companies code approved by Decree-law no. 262/86 dated 2 September 1986 (as amended from time to time).

“**Portuguese Securities Code**” means Decree-Law 486/99, of 13 November 1999 (as amended from time to time).

“**Principal Amount Outstanding**” means, in respect of a Covered Bond, the principal amount of that Covered Bond on the relevant Issue Date thereof less principal amounts received by the relevant holder of Covered Bonds in respect thereof.

“**Programme**” means the €10,000,000,000 covered bonds programme established on 5 June 2007 for the issuance of Covered Bonds by the Issuer as described in this Base Prospectus.

“**Programme Agreement**” means the agreement dated 5 June 2007 entered into between the Issuer and the Dealers.

“**Programme Documents**” means the Base Prospectus, the Programme Agreement, the Set of Agency 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 (*Insolvency Event and Enforcement*) or directing the Common Representative to take any enforcement action and which shall only be capable of being passed at a single meeting of the holders of Covered Bonds of all Series then outstanding.

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

“**Property Valuation**” means, in relation to any Property:

- (a) the amount determined as the commercial value or the market value (as applicable) of such Property in accordance with the most recent independent valuation of such Property, at the time or after the relevant Mortgage Credit was originated, in accordance with Regulation 5/2006; and

(b) the amount determined by resorting to the use of adequate and recognized indices or statistical methods, whenever an independent valuation of the Property is not required pursuant to the Covered Bonds Law and Regulation 5/2006.

"Prospectus Directive" means Directive No. 2003/71/EC of the European Parliament and of the Council of 4 November 2003.

"Prospectus Regulation" means Commission Regulation (EC) No. 809/2004.

"Rating" means the then current rating of rated Covered Bonds given by the relevant Rating Agency and **"Ratings"** means all of such Ratings.

"Rating Agencies" means Moody's, S&P and Fitch as applicable.

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

"Receiptholders" means the persons who for the time being are holders of the Receipts.

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

"Registered Covered Bond" means any definitive Covered Bond in registered form.

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

"Regulation 5/2006" means the regulatory notice ("*Aviso*") no. 5/2006 issued by the Bank of Portugal and published on 10 October 2006, relating to the valuation of real estate assets serving as security for mortgage credits comprised in cover pools allocated to the issue of mortgage covered bonds in accordance with the Covered Bonds Law.

"Regulation 6/2006" means the regulatory notice ("*Aviso*") no. 6/2006 issued by the Bank of Portugal and published on 10 October 2006, relating to the prudential limits applicable in relation to the issue of mortgage covered bonds in accordance with the Covered Bonds Law.

"Regulation 7/2006" means the regulatory notice ("*Aviso*") no. 7/2006 issued by the Bank of Portugal and published on 10 October 2006, relating to the weighting coefficient applicable to the ownership of covered bonds issued in accordance with the Covered Bonds Law.

"Regulation 8/2006" means the regulatory notice ("*Aviso*") no. 8/2006 issued by the Bank of Portugal and published on 10 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; (vi) to amend this definition; and (vii) any other matter required by law to be approved by the majorities set out in Condition 12(C)(ii) of the Terms and Conditions.

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

"S&P" means Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies, Inc.

"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.

“Set of Agency Procedures” means the set of agency procedures (such set of agency procedures as amended and/or supplemented and/or restated from time to time) dated 5 June 2007 and made and agreed by Banco Comercial Português, S.A. (acting in its capacity as Agent and Paying Agent, which expressions shall include any successors, and as Issuer) and by any subsequent agent, paying agent, transfer agent, agent bank and/or registrar appointed by the Issuer.

“Stabilising Manager” means the Dealer or Dealers (if any) named as the stabilising manager(s) for a particular Tranche of Covered Bonds.

“Stock Exchange” means London Stock Exchange or any other stock exchange where Covered Bonds may be listed as per the relevant Final Terms and references in Base Prospectus 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.

“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.

“sub-unit” means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, one cent.

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

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

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

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

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

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

“Temporary Bearer Global Covered Bond” means any Covered Bond issued in the form of a temporary bearer global covered bond.

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

“Tranche” means Covered Bonds which are identical in all respects (including as to listing).

“Treaty” means the treaty establishing the European Communities, as amended by the Treaty on European Union.

“U.S.\$”, “USD” or **“U.S. dollars”** means United States dollars, the lawful currency of the United States of America.

“UCITS Directive” means Council Directive No 85/611/EEC of 20 December 1985, as amended by Council Directive 2001/107/EC of 21 January 2002 and 2001/108/EC of 21 January 2002, relating to undertakings for collective investment in transferable securities.

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

ANNEX 1

CERTIFICATE FOR EXEMPTION FROM PORTUGUESE WITHHOLDING TAX ON INCOME FROM DEBT SECURITIES (PARAGRAPH 1 OF ARTICLE 17 OF THE SPECIAL TAX REGIME APPROVED BY THE DECREE-LAW NR. 193/2005, OF 7 NOVEMBER)

The undersigned Participant hereby declares that he holds debt securities covered by the special tax regime approved by the Decree-Law nr. 193/2005, of 7 November (the "Securities"), in the following securities account number (the "Account") with
.....(name and complete address of the international clearing system managing entity).

We will hold these Securities in our capacity of beneficial owner or in our capacity of intermediary, holding Securities on behalf of one or more beneficial owners, including ourselves, if applicable, all of whom are eligible for exemption at source from Portuguese withholding tax according to Portuguese legislation.

1. We are:

Name:

Residence for tax purposes (full address):

Tax ID Number:

2. We hereby certify that, from the date hereof until the expiry date of this certificate:

A. ☐ We are the Beneficial Owner of the following Securities:

<i>Security ISIN or Common Code</i>	<i>Security description</i>	<i>Nominal position</i>

and we hereby declare that we are not liable to Portuguese withholding tax, in accordance with the applicable legislation, indicated hereafter:

- Special Tax Regime approved by the Decree-Law no. 193/2005, of 7 November ☐
- Art. 90 of *CIRC* (Corporate Income Tax Code) – Exemption from withholding tax ☐

B. ☐ We are intermediaries of the following Securities:

<i>Security ISIN or Common Code</i>	<i>Security description</i>	<i>Nominal position</i>

which are held on behalf of:

Name:

Residence for tax purposes (full address):

Tax ID Number:

and we attach a statement of beneficial ownership, which includes the justification for the exemption of personal or corporate income withholding tax.

3. We hereby undertake to provide the..... (name of the international clearing system managing entity) with a document proving the exemption of personal or corporate income withholding tax referred in the attached statement of beneficial ownership, whenever the beneficial owner is not a central bank, public institution, international body, credit institution,

financing company, pensions fund and insurance company resident in any OECD country or in a country with which Portugal has concluded a Convention for the Avoidance of International Double Taxation, on behalf of which we hold Portuguese debt securities in the Account.

4. We hereby undertake to notify the..... (*name of the international clearing system managing entity*) promptly in the event that any information contained in this certificate becomes untrue or incomplete.

5. We acknowledge that certification is required in connection with Portuguese law and we irrevocably authorise..... (*name of the international clearing system managing entity*) and its Depository to collect and forward this certificate or a copy hereof, any attachments and any information relating to it, to the Portuguese authorities, including tax authorities.

6. This statement is valid for a period of twelve months as from the date of signature.

Place:.....

Date:.....

.....
Authorised Signatory

.....
Name

.....
Title/Position

.....
Authorised Signatory

.....
Name

.....
Title/Position

APPENDIX

STATEMENT OF BENEFICIAL OWNERSHIP

The undersigned beneficiary:

- Name:.....
- Address:.....
- Tax ID number:

Holding via the following financial intermediary:

- Name of the financial intermediary:
- Account number:

The following securities:

- Common/ISIN code:.....
- Security name:.....
- Payment date:.....
- Nominal position:.....

1. Hereby declares that he/she/it is the beneficial owner of the above-mentioned securities and nominal position at the payment date __/ __/ ____; and
2. Hereby declares that he/she/it is not liable to withholding tax, in accordance with the applicable legislation, indicated herein after (tick where applicable):

- Special Tax Regime approved by the Decree-Law no. 193/2005, of 7 November ☐
- Art. 90 of *CIRC* (Corporate Income Tax Code) – Exemption from withholding tax..... ☐
- Art. 9 of *CIRC* – State, Autonomous Regions, local authorities, their associations governed by public law and social security federations and institutions..... ☐
- Art. 10 of *CIRC* – General Public Interest Companies, Charities and other non-governmental social entities; exemption by Ministerial Regulation no....., published in the *Diário da República*..... ☐
- Art. 14 of EBF (Tax Incentives Statute) – Pension Funds and assimilated funds... ☐
- Art. 21 of EBF – Retirement Savings Funds (FPR), Education Savings Funds (FPE), Retirement and Education Savings Funds (FPR/E)..... ☐
- Art. 22 – A of EBF – Venture Capital Investment Funds..... ☐
- Art. 24 of EBF – Stock Savings Funds (FPA) ☐
- Other legislation (indicate which) ☐

This document is to be provided to the Portuguese tax authorities, if requested by the latter, as foreseen in the Article 17 of the Special Tax Regime approved by the Decree-Law nr. 193/2005, of 7 November.

.....
Authorised Signatory

.....
Name

.....
Signature:

.....
Function:

ANNEX 2

STATEMENT FOR EXEMPTION FROM PORTUGUESE WITHHOLDING TAX ON INCOME FROM DEBT SECURITIES (PARAGRAPH 2 OF ARTICLE 17 OF THE SPECIAL TAX REGIME APPROVED BY THE DECREE-LAW NR. 193/2005, OF 7 NOVEMBER)

The undersigned Participant hereby declares that he holds or will hold debt securities in accordance with the special tax regime approved by the Decree-Law no. 193/2005, of 7 November (the "Securities"), in the following securities account number..... (the "Account")

with
(name and complete address of the international clearing system managing entity).

We hold or will hold these Securities in our capacity of beneficial owner or in our capacity of intermediary, holding Securities on behalf of one or more beneficial owners, including ourselves, if applicable, all of whom are eligible for exemption at source from Portuguese withholding tax according to Portuguese legislation.

1. We are:

Name:

Residence for tax purposes (full address):

Tax ID Number:

2. We hereby undertake to provide the.....(name of the international clearing system managing entity) with a list of Beneficial Owners at each relevant record date containing the name, residence for tax purposes, Tax Identification Number and nominal position of Portuguese debt Securities for each Beneficial Owner, including ourselves if relevant, on behalf of which we hold or will hold Portuguese debt securities in the Account.

3. We hereby undertake to notify the (name of the international clearing system managing entity) promptly in the event that any information contained in this certificate becomes untrue or incomplete.

4. We acknowledge that certification is required in connection with Portuguese law and we irrevocably authorise..... (name of the international clearing system managing entity) and its Depository to collect and forward this statement or a copy hereof, any attachments and any information relating to it, to the Portuguese authorities, including tax authorities.

5. This statement is valid for a period of twelve months as from the date of signature.

Place:.....

Date:.....

.....
Authorised Signatory

.....
Name

.....
Title/Position

.....
Authorised Signatory

.....
Name

.....
Title/Position

APPENDIX

LIST OF BENEFICIAL OWNERS

For:

Interest due ___/___/___

Security code (ISIN or Common Code): _____

Securities description: _____

Securities Clearance Account Number: _____

We certify that the above Portuguese debt securities are held on behalf of the following Beneficial Owners:

Name	Tax identification number	Residence for tax purposes	Quantity of securities	Legal basis of the exemption from withholding tax	
				Code ^(*)	Legislation ^(**)

(*) Indicate the legal basis of the exemption from withholding tax in accordance with the following table:

Code	Legal basis of the exemption
1	Special Tax Regime approved by the Decree-Law no. 193/2005, of 7 November
2	Art. 90 of <i>CIRC</i> (Corporate Income Tax Code) – Exemption from withholding tax
3	Art. 9 of <i>CIRC</i> – State, Autonomous Regions, local authorities, their associations governed by public law and social security federations and institutions
4	Art. 10 of <i>CIRC</i> – General Public Interest Companies, Charities and other non-governmental social entities
5	Art. 14 of EBF (Tax Incentives Statute) – Pension Funds and assimilated funds
6	Art. 21 of EBF – Retirement Savings Funds (FPR), Education Savings Funds (FPE), Retirement and Education Savings Funds (FPR/E)
7	Art. 22 – A of EBF – Venture Capital Investment Funds
8	Art. 24 of EBF – Stock Savings Funds (FPA)
9	Other legislation

(**) The fulfilment of this column is mandatory when the code “9” is indicated in the previous column.

REGISTERED OFFICE OF THE ISSUER

Banco Comercial Português, S.A.
Praça Dom João I, 28
4000-434 Porto
Portugal

ARRANGER

Barclays Bank PLC
5 The North Colonnade
Canary Wharf
London E14 4BB
United Kingdom

CO-ARRANGER

Millennium investment banking
Av. José Malhoa, 27
1070-157 Lisbon
Portugal

COVER POOL MONITOR

KPMG & Associados, SROC, SA
Edifício Monumental
Av. Praia da Vitória 71 – A, 11º
1069-006 Lisbon
Portugal

DEALERS

ABN AMRO Bank plc 250 Bishopsgate London EC2M 4AA United Kingdom	BANCO SANTANDER CENTRAL HISPANO, S.A. Ciudad Grupo Santander Avenida de Cantabria s/n 28660 Boadilla del Monte Madrid Spain	Barclays Bank PLC 5 The North Colonnade Canary Wharf London E14 4BB United Kingdom
Bayerische Hypo- und Vereinsbank AG Arabellastrasse 12 D-81925 Munich Germany	BNP Paribas 10 Harewood Avenue London NW1 6AA United Kingdom	CALYON 9, quai du Président Paul Doumer 92920 Paris-La-Défense Cedex France
Citigroup Global Markets Limited Citigroup Centre Canada Square London E14 5LB United Kingdom	Credit Suisse Securities (Europe) Limited One Cabot Square London E14 4QJ United Kingdom	Deutsche Bank AG, London Branch Winchester House 1 Great Winchester Street London EC2N 2DB United Kingdom
Dresdner Bank Aktiengesellschaft Jürgen-Ponto-Platz 1 60301 Frankfurt am Main Germany	DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main Platz der Republik 60265 Frankfurt am Main Germany	HSBC Bank plc 8 Canada Square London E14 5HQ United Kingdom
IXIS Corporate & Investment Bank 47, quai d'Austerlitz 75648 Paris Cedex 13 France	J.P. Morgan Securities Ltd. 125 London Wall London EC2Y 5AJ United Kingdom	Merrill Lynch International Merrill Lynch Financial Centre 2 King Edward Street London EC1A 1HQ United Kingdom
Millennium investment banking Av. José Malhoa, 27 1070-157 Lisbon Portugal	Morgan Stanley & Co. International plc 25 Cabot Square Canary Wharf London E14 4QA United Kingdom	Nomura International plc Nomura House 1 St Martin's-le-Grand London EC1A 4NP United Kingdom
Société Générale 29 Boulevard Haussmann 75009 Paris France	The Royal Bank of Scotland plc 135 Bishopsgate London EC2M 3UR United Kingdom	UBS Limited 1 Finsbury Avenue London EC2M 2PP United Kingdom

COMMON REPRESENTATIVE

Deutsche Trustee Company Limited
Winchester House
1 Great Winchester Street
London EC2N 2DB
United Kingdom

AGENT AND PAYING AGENT

Banco Comercial Português, S.A.
Praça Dom João I, 28
4000-434 Porto
Portugal

AUDITORS

KPMG & Associados, SROC, SA
Edifício Monumental
Av. Praia da Vitória 71 – A, 11º
1069-006 Lisbon
Portugal

LEGAL ADVISERS TO THE ISSUER

as to Portuguese law

Morais Leitão, Galvão Teles, Soares da Silva & Associados
Rua Castilho, 165
1070-050 Lisbon
Portugal

LEGAL ADVISERS TO THE ARRANGERS AND THE DEALERS

as to Portuguese law

Vieira de Almeida & Associados
Avenida Duarte Pacheco, 26
1070-110 Lisbon
Portugal

as to English law

Allen & Overy LLP
One Bishops Square
London E1 6AO
United Kingdom