



# BANCO COMERCIAL PORTUGUÊS, S.A.

(incorporated with limited liability in Portugal)

Euro 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 Euro 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, registered or book entry form (respectively, “**Bearer Covered Bonds**”, “**Registered Covered Bonds**” and “**Book Entry Covered Bonds**”). The maximum aggregate nominal amount of all Covered Bonds from time to time outstanding under the Programme will not exceed Euro 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 regulated 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 regulated market and have been admitted to the Official List. The London Stock Exchange’s regulated market is a regulated market for the purposes of Directive 2004/39/EC (the Markets in Financial Instruments 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*

Barclays Capital  
CALYON Crédit Agricole CIB

BNP PARIBAS  
Citi

BofA Merrill Lynch  
Commerzbank Corporates &  
Markets

Credit Suisse  
HSBC  
Morgan Stanley  
Santander Global  
Banking & Markets  
UBS Investment Bank

Deutsche Bank  
J.P. Morgan  
Natixis  
Société Générale Corporate &  
Investment Banking

DZ BANK AG  
Millennium Investment Banking  
Nomura International  
The Royal Bank of Scotland

UniCredit (HVB)

The date of this Base Prospectus is 23 July 2009.

## 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.

Subject as provided in the applicable Final Terms, the only persons authorised to use this Base Prospectus in connection with an offer of Covered Bonds are the persons named in the applicable Final Terms as the relevant Dealer or the Managers.

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.

Any offer of Covered Bonds in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Covered Bonds. Accordingly any person making or intending to make an offer in that Relevant Member State of Covered Bonds which are the subject of an offering contemplated in this Base Prospectus as completed by final terms in relation to the offer of those Covered Bonds may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Issuer nor any Dealer have authorised, nor do they authorise, the making of any offer of Covered Bonds in circumstances in which an obligation arises for the Issuer or any Dealer to publish or supplement a prospectus for such offer.

In this Base Prospectus, unless otherwise specified or the context otherwise requires, references to “€”, “EUR” or “euro” are to the lawful currency of the member states of the European Union that adopt the single currency 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.

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

## 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 regulated 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 Euro 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.*

<b>Description:</b>	Covered Bonds Programme.
<b>Programme size:</b>	Up to Euro 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.  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.
<b>Issuer:</b>	Banco Comercial Português, S.A. (see <i>Description of the Issuer</i> ).
<b>Arranger:</b>	Barclays Bank PLC.
<b>Co-Arranger:</b>	Millennium investment banking
<b>Dealers:</b>	BANCO SANTANDER, S.A., Barclays Bank PLC, Bayerische Hypo- und Vereinsbank AG, BNP Paribas, CALYON, Citigroup Global Markets Limited, Commerzbank Aktiengesellschaft, Credit Suisse Securities (Europe) Limited, Deutsche Bank Aktiengesellschaft DZ BANK AG, HSBC Bank plc, J.P. Morgan Securities Ltd., Merrill Lynch International, Millennium investment banking, Morgan Stanley & Co. International plc, Natixis, 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.
<b>Common Representative:</b>	Deutsche Trustee Company Limited in its capacity as representative of the holders of the Covered Bonds pursuant to Article 14 of the Covered Bonds Law in accordance with the Terms and Conditions and the terms of the Common Representative Appointment Agreement, having its registered office at Winchester House, 1 Great Winchester Street, London EC2N 2DB.
<b>Agent:</b>	Banco Comercial Português, S.A., in its capacity as Agent, with head office at Praça Dom João I, 28, 4000-434 Porto, Portugal.
<b>Paying Agent:</b>	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.
<b>Cover Pool Monitor:</b>	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> .

<b>Hedge Counterparties:</b>	The parties or party (each, a “ <b>Hedge Counterparty</b> ” and together, the “ <b>Hedge Counterparties</b> ”) that, from time to time will enter into Hedging Contracts with the Issuer in accordance with the Covered Bonds Law.
<b>Risk Factors:</b>	There are certain factors that may affect the Issuer’s ability to fulfil its obligations under the Covered Bonds issued under the Programme. These are set out under <i>Risk Factors</i> below and include, <i>inter alia</i> , exposure to adverse changes in the Portuguese economy, the credit risk of borrowers and clients of the Issuer, the risk of increased competition in the Portuguese market and other market risks to which the Issuer is or may become exposed. In addition, there are risk factors which are material for the purpose of assessing the other risks associated with Covered Bonds issued under the Programme. These are also set out in detail under <i>Risk Factors</i> below and include, <i>inter alia</i> , the untested nature of the Covered Bonds Law, the dynamics of the legal and regulatory requirements, the fact that the Covered Bonds may not be suitable investments for all investors and the risks related to the structure of a particular issue of Covered Bonds.
<b>Distribution:</b>	Covered Bonds may be distributed by way of private placement and on a non-syndicated or syndicated basis. The method of distribution of each Tranche of Covered Bonds will be stated in the applicable Final Terms. Covered Bonds will be issued and placed only outside the United States in reliance on Regulation S under the Securities Act (“ <b>Regulation S</b> ”). See <i>Subscription and Sale and Secondary Market Arrangements</i> .
<b>Certain Restrictions:</b>	Each issue of Covered Bonds denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see <i>Subscription and Sale and Secondary Market Arrangements</i> ).
<b>Currencies:</b>	Subject to compliance with relevant laws, Covered Bonds may be issued in any currency agreed between the Issuer and the relevant Dealer(s) (as set out in the applicable Final Terms).
<b>Redenomination:</b>	The applicable Final Terms may provide that certain Covered Bonds not denominated in euro on issue may be redenominated in euro.
<b>Ratings:</b>	<p>Covered Bonds issued under the Programme are expected on issue to be rated Aaa by Moody’s, AAA by Standard &amp; Poor’s and AAA by Fitch.</p> <p>The rating from Standard &amp; Poor’s addresses the likelihood that Noteholders will receive timely payments of interest and ultimate repayment of principal at Maturity Date or Extended Maturity Date, as applicable.</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>
<b>Listing and Admission to Trading:</b>	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).
<b>Selling Restrictions:</b>	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</i>

*Market Arrangements* and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Covered Bonds in a particular jurisdiction, which will be set out in the relevant Final Terms.

**United States Selling Restriction:**

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

**Use of Proceeds:**

Proceeds from the issue of Covered Bonds will be used by the Issuer for its general corporate purposes.

**Status of the Covered Bonds:**

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

**Terms and Conditions of the Covered Bonds:**

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

**Clearing Systems:**

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

**Form of the Covered Bonds:**

The Covered Bonds held through Interbolsa will be in book-entry form (*forma escritural*) and can be either *nominativas* (in which case Interbolsa, at the Issuer’s request, can ask the Interbolsa Participants information regarding the identity of the holders of Covered Bonds and transmit such information to the Issuer) or *ao portador* (in which case Interbolsa cannot inform the Issuer of the identity of the holders of Covered Bonds), 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 or Book Entry Covered Bonds and vice versa. See *Form of the Covered Bonds and Clearing Systems*.

**Transfer of Covered Bonds:**

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



<b>Maturities:</b>	The Covered Bonds will have such maturities as may be agreed between the Issuer and the relevant Dealer(s) and as set out in the applicable Final Terms, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body), the Covered Bonds Law or any laws or regulations applicable to the Issuer or the relevant Specified Currency. Currently the Covered Bonds Law establishes that Covered Bonds may not be issued with a maturity term shorter than 2 years or in excess of 50 years. See also <i>Extended Maturity Date</i> .
<b>Issue Price:</b>	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.
<b>Events of Default:</b>	Issuer Insolvency. See <i>Terms and Conditions of the Covered Bonds</i> .
<b>Negative Pledge:</b>	None.
<b>Cross Default:</b>	None.
<b>Guarantor:</b>	None.
<b>Fixed Rate Covered Bonds:</b>	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).
<b>Floating Rate Covered Bonds:</b>	<p>Floating Rate Covered Bonds will bear interest determined separately for each Series as follows:</p> <ul style="list-style-type: none"> <li>● on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association Inc. (“ISDA”) and as amended and updated as at the Issue Date of the first Tranche of Covered Bonds of the relevant Series); or</li> <li>● on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or</li> <li>● on such other basis as may be agreed between the Issuer and the relevant Dealer(s), as set out in the applicable Final Terms.</li> </ul> <p>The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer(s) for each Series of Floating Rate Covered Bonds. Interest periods will be specified in the applicable Final Terms.</p>
<b>Zero coupon Covered Bonds:</b>	Zero Coupon Covered Bonds may be offered and sold at a discount to their nominal amount unless otherwise specified in the applicable Final Terms.
<b>Index Linked Covered Bonds:</b>	Payments of principal in respect of Index Linked Redemption Covered Bonds or of interest in respect of Index Linked Interest Covered Bonds will be calculated by reference to such index and/or formula as may be specified in the applicable Final Terms.
<b>Redemption:</b>	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 *Extended Maturity Date*.

**Extended  
Maturity Date:**

Unless the rating provided by the rating agencies appointed by the Issuer at the relevant time in respect of the Programme is adversely affected by such provisions, the applicable Final Terms will also provide that an Extended Maturity Date applies to each Series of the Covered Bonds.

As regards redemption of Covered Bonds to which an Extended Maturity Date so applies, if the Issuer fails to redeem the relevant Covered Bonds in full on the Maturity Date (or within two Business Days thereafter), the maturity of the principal amount outstanding of the Covered Bonds not redeemed will automatically extend on a monthly basis up to one year but no later than the Extended Maturity Date, subject as otherwise provided for in the applicable Final Terms. In that event, the Issuer may redeem all or any part of the principal amount outstanding of the Covered Bonds on an Interest Payment Date falling in any month after the Maturity Date up to and including the Extended Maturity Date or as otherwise provided for in the applicable Final Terms.

As regards interest on Covered Bonds to which an Extended Maturity Date so applies, if the Issuer fails to redeem the relevant Covered Bonds in full on the Maturity Date (or within two Business Days thereafter), the Covered Bonds will bear interest on the principal amount outstanding of the Covered Bonds from (and including) the Maturity Date to (but excluding) the earlier of the Interest Payment Date after the Maturity Date on which the Covered Bonds are redeemed in full 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 Euro 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 Euro 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, 2007 and 31 December, 2008, in each case together with the auditors' reports prepared in connection therewith (available at [www.cmvm.pt](http://www.cmvm.pt));
- (b) earnings release as at and for the three months period ended 31 March 2009 and the first quarter of 2009 Activity Report;
- (c) the Articles of Association (including an English language translation thereof) of the Issuer (available at [www.millenniumbcp.pt](http://www.millenniumbcp.pt)); and
- (d) solely for the purposes of any issues of Covered Bonds which are expressed to be consolidated and form a single series with a Tranche of Covered Bonds issued in earlier Base Prospectuses published by the Issuer, the terms and conditions of the Covered Bonds on pages 55 to 80 (inclusive) of the Base Prospectus dated 5 June 2007 and on pages 50 to 74 (inclusive) of the Base Prospectus dated 4 August 2008 prepared by the Issuer in connection with the Programme.

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.

Any documents themselves incorporated by reference in the documents incorporated by reference in this Base Prospectus shall not form part of this Base Prospectus.

## 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.

### **Risks Relating to the Bank's Business**

*The Bank is dependent on the state of the Portuguese economy. The correction of relevant macroeconomic imbalance, in an external adverse framework and in the light of more demanding financial conditions may have a negative impact on the Bank's activity and results.*

The Bank's activity is exposed to the evolution of the Portuguese economy, notwithstanding the contribution of the operations in other countries for the global results. On 31st March of 2009, the activities carried out in Portugal accounted for 95% of the Group's net income, excluding specific items. Hence, the performance of the Portuguese economy is determinant to the Group's results and to its capacity to fulfil its goals.

The Portuguese Gross Domestic Product (GDP) stagnated in 2008, reflecting the international financial markets crisis and the deterioration in the world economic outlook, in a context of continuous adaptation of the Portuguese productive model to the change in the world trade framework. According to the Statistic National Institute (INE) GDP decreased 3.7% year-on-year, in real terms, in the first quarter of 2009. This evolution reflects the negative evolution of the domestic demand, with a contribution of -5.6 p.p. for the GDP growth, in particular the contraction in investment and in a lesser extent of private consumption. The net foreign demand has a positive contribution, in line with a deep reduction in imports. The perception of more restrictiveness in the refinancing of existing debt or in obtaining new credit offsets the positive effects that normally arise from the implementation of a more expansionary monetary policy, including lower levels of official interest rates and easing of the criteria for liquidity-providing by the monetary authorities. The permanence of adverse conditions in international financial markets and negative lagged effects is estimated, particularly in the evolution of employment, even if partly mitigated by the implementation of measures to stimulate economic activity and support the financial system. However, GDP in Portugal should contract in real terms in 2009, with still significant downside risks, although milder, in 2010.

For several years the Portuguese economy has faced a slow process of adjustment to meet changes in the institutional framework – the single currency and intensity of competition in world trade - while maintaining a growth model that has been associated with high levels of debt. This has only been feasible given the success of the intermediation of banks in international markets. It implies a reduced ability to undertake an independent sustained economic recovery given the current financial constraints, being dependent on external factors and on the operation of the automatic stabilizers.

Since 2005, the Portuguese government increased the tax burden and simultaneously reduced public expenditure, in order to correct the strong imbalance in public accounts. The public deficit in 2008 was 2.6% of GDP, which represents a significant progress against the deficit of 6% of GDP in 2005. The public debt amounted to 66.4% of GDP. The government estimates for 2009, point to an increase in public deficit to 3.9% reflecting the impact of the economic stimulus measures taken by the Portuguese government as a reaction to the economic crisis. As a result the public debt should also increase to about 70% of GDP. Despite the progress made in consolidating public finances in recent years, the margin for slippage of the public accounts is reduced, but the adoption of measures of fiscal stimulus in a context of economic crisis is foreseeable. It is within this framework, that the convergence of the Portuguese economy to the European average is expected, benefiting from the absence in recent years of economic growth concentrated in few economic sectors or of overheating situations in specific markets such as has occurred in other countries.

The Portuguese economy has been characterized by a weak growth trend in productivity (annual growth of 1.2% in productivity in the period between 2000 and 2006), which is reflected in increased levels of indebtedness of households and businesses to ease their expenditure on consumption and investment. This situation, which results in a high indebtedness of the Bank in wholesale markets, makes the results more sensitive to funding conditions prevailing in international markets. The greatest difficulty in attracting financial resources and the trend to revise the cost of risk could place restrictions on relevant investment plans and consumption of economic agents, with negative implications on banking volumes, net interest margin and credit quality.

Portugal has faced strong competition in goods markets, foreign direct investment (“FDI”) and structural funds. In the traditional tradable sectors there is significant direct competition from producers in countries of large size and low cost of production, while the states of Eastern Europe have been privileged recipients of FDI – the transfer of production units installed in Portugal, with negative impact on levels of domestic employment – and the European Structural Funds. This framework requires a change in the underlying business model of the Portuguese economy, improving the degree of efficiency and changing the pattern of productive specialization. This adjustment, however, involves risks and costs of transition, such as friction in the labour market – including more persistent long-term unemployment – or the closure of non competitive production units. The evolution of income from labour is more closely related to productivity gains, so that it does not undermine the competitiveness of the country given the context of strength of the European currency, with modest gains in future household income.

Portugal has no significant fossil fuel resources subject to exploitation in the short term and its use of renewable energy at competitive costs is below potential, although some recent efforts made by the Government to promote renewable energy investments, power grid and energy efficiency, specifically by giving more incentives to micro producers and energy saving automatic systems. As a result, significant financial resources are allocated for the import of energy. The country is vulnerable to disruptions in the international energy markets supplies, which may result from several events such as an increase in global geopolitical tensions, speculation in financial markets, climate effects or rigidity of short term supply, with direct implications on the evolution of profit margins of companies and household finances.

As a result of the persistence of relevant macro-economic imbalances, previously described, and the dynamics for its correction, the ability of the Bank to generate results could be affected, namely by a economic recession, with effects on banking volumes, increased funding costs, volatility in the financial portfolio market value, income related to credit and market evolution and the increase in overdue credit and consequent deterioration in asset quality.

*The Portuguese Republic may be subject to a downgrade by the rating agencies, with implications for the financing of the economy.*

The Standard & Poor’s rating agency downgraded the rating of the Portuguese Republic in January 2009, from ‘AA-’ to ‘A +’, justifying the action with the lack of structural reforms implemented by the Government in the revitalization of economic activity and the consolidation of public finances to achieve the necessary convergence with countries of similar rating. Although rating agencies have a stable outlook for the Portuguese Republic, changes may take place in the future in case of a more intense deterioration in public finances as a result from a worse economic activity performance. Accordingly, the cost of risk for the Portuguese Republic would increase, with

negative side effects on the cost of the risk of the Portuguese banks and hence on Portuguese banks results.

*Despite the limited direct exposure of the Portuguese financial system to the U.S. subprime market and the measures of State support to the financial system, the spread of the crisis effects will continue to affect negatively the results of Portuguese banks.*

The Group does not have any exposure to the US subprime / Alt-A mortgage market, in particular through Residential Mortgage-Backed Securities (RMBS), Commercial Mortgage-Backed Securities (CMBS), Asset- Backed Securities (ABS) or Collateralized Debt Obligations (CDO). The Group also does not have any exposure to monoline insurance companies. The Group's exposure to structured credit products potentially affected by the markets turmoil in 2008 was limited to the exposure of its subsidiary company Millennium bcpbank in United States, through which the Group owns, as at 31 December 2008, Euro 52.3 million of Residential Mortgage-Backed Securities (RMBS), Euro 10.8 million of bonds with senior AAA debt, both issued by Government Sponsored Entities (GSEs), and Euro 9.6 million of Commercial Mortgage-Backed Securities (CMBS) issued by Government Agencies.

BCP Group engages mainly in the securitization of mortgage loans, corporate loans and consumer loans. Securitizations of loans are used as liquidity management and equity instruments, as well as capital ratios instruments. The Group is not exposed to any other Special Purpose Entities (SPE), other than those arising from own securitizations and current credit activity, as described in Notes 1 and 21 to the consolidated financial statements. Moreover, the accounting policies concerning SPE and securitizations haven't changed for the last 12 months. The Group's accounting policies are described in Note 1 to the financial statements included in the volume II of the Annual Report of 2008. For further details on financial assets accounting and risk management, see Notes 22, 23, 24, 40, 47 and 51 on the Annual Report.

Despite the Portuguese financial system's low direct exposure to complex financial assets associated with the current disruption in international financial markets, side effects such as increased difficulty in obtaining regular funding in the interbank and capital markets, the devaluation of the financial holdings portfolio and pension funds, lower fees related to the markets and in financial operations and the increase in impairment have affected the profitability, liquidity and solvency of banks. The structural increase in the credit/deposits ratio until 2007 as a result of a very favourable financial markets context implied an increase in wholesale and interbank funding by Portuguese banks to compensate for the shortfall of domestic savings, whose sustainability dynamic is more uncertain if the present market conditions continue. Measures to support the financial system, notably the establishment of a personal guarantee from the State for bank debt issuance and the plan for recapitalization of banks, should help to mitigate the negative effects of instability in the funding markets, but the pressure for lower maturities and increased costs of financing affect the performance of the banking sector.

*The Bank is exposed to macro-economic risks through its international operations, particularly in Poland, Greece, Mozambique, Angola and Romania.*

The economies of Greece, Poland and Romania have posted strong GDP growth rates until recently, resulting from the processes of European integration, benefiting in particular from high inflows of foreign investment and opportunities underlying the use of EU funds, reflected in the increase of capital expenditure and providing a substantial improvement in employment. Economic activity in those countries has slowed down since mid 2008, reflecting the impact of the recession in their main trade partners, leading to an increase in unemployment and the worsening of the existing macro-economic imbalances, such as a reduction of the potential growth in the long term, a downturn in investor confidence, a sudden cut of private financing to the economy and consequent instability in domestic financial markets. Accordingly, the banking activity has been affected by the slowdown in economic activity, the decrease in banking volumes, the increase in risk premiums, the volatility in financial markets and the consequent deterioration of asset quality.

Angola and Mozambique have been noted for strong and sustained growth in recent years and the use of monetary policies to reduce inflation. The development process is still in an initial phase in these countries and characterizes itself by the high economic dependence of a limited number of sectors, including commodities such as oil (Angola) and aluminum (Mozambique), increasing their vulnerability to shocks in these specific markets. The context of abundant liquidity could jeopardize the objectives of price developments and the emergence of economic activities, which will eventually promote sectoral diversification. The climate of optimism, abundant liquidity and

extension of geographical coverage and range of banking products and services that has characterized the recent years, in a framework for further development of their nascent financial systems, could lead to a deterioration of credit quality, with consequences for the generation of results over time. The poor social conditions, though with a remarkable improvement in recent years, is still a factor likely to cause social instability, detrimental to the development of regular banking business.

In February 2009, Millennium bcp entered into financial transactions regarding the agreements of strategic partnership established with Sonangol – Sociedade Nacional de Combustíveis de Angola, Empresa Pública (Sonagol) and the Banco Privado Atlântico, S.A. (BPA), within which, through the share capital increase of Banco Millennium Angola (BMA), in the amount of 105,752,496.80 USD, Sonangol will become holder of 29,9% of BMA share capital and BPA will assume a 20% participation in the share capital of the Bank. BMA will acquire a shareholding of 10% in BPA's share capital. Following this share capital increase, BMA will be in the condition to accelerate its business plan, foreseeing for the next three years an investment of more than 200 million USD in the development of branches and in the creation of more than 1,000 jobs in Angola. It is not possible to access in advance the full success in the development of the Group's expansion in Angola.

*Terrorist attacks or a pandemic could have disruptive consequences on business volumes and debtor performance, adversely affecting the Bank's income, credit quality and overall financial condition.*

Terrorist attacks or a pandemic could cause significant disruptions in economic activity, increase economic uncertainty, reduce economic confidence and lead to severe disturbances in overall economic activity. Any of the above could have a material adverse effect on the Bank's business, financial condition or results of operations.

A material decline in global equity markets could adversely affect the activity, the results and the value of strategic investments of the Bank, as well as the value of assets included in the portfolio of the Group Pension Fund.

Investment returns are an important part of the Bank's overall profitability, in particular in relation to its asset management business (carried out by Millennium bcp – Gestão de Fundos de Investimento, S.A.) and investment banking business (carried out by Millennium investment banking). A decline in global equity markets could affect the sales of some of the Bank's products and services, namely unit-linked products, participating life insurance and pension products, mutual funds and asset management services, brokerage services, equity capital markets and investment banking transactions, and could significantly decrease Bank's income from commissions. A decline in global equity markets resulting in any of the foregoing could have a material adverse effect on the Bank's business, financial condition or results of operations. In addition, continued or prolonged fluctuation in the prices of securities or prolonged market volatility or disruption could result in investors withdrawing capital from the markets, decreasing their rate of investment or surrendering life insurance policies, any of which could adversely affect sales of the Bank's investment products, including some categories of life insurance products and would result in a deterioration of the Bank's own funds.

As at 31 March 2009, the equity portfolio of the Group, including investments in associated companies, was Euro 646,922 million, which is equivalent to 0.7% of the total assets of the Group.

The value of the assets included in the portfolio of the Group Pension Fund is also dependent on the future performance of the capital markets. To the extent that the Bank and certain Group companies guarantee certain post-retirement benefits to their employees, a sharp decline in capital markets could cause the value of the assets in the portfolio to be insufficient to cover the liabilities assumed by the Pension Fund, negatively affecting the Bank's capital ratios and financial results.

*The recent turbulence in the main global financial markets, specifically the interbank and debt market, could materially and adversely affect the Bank's liquidity position and capacity to increase credit volumes.*

Since the second half of 2007, disruption in the global credit markets, coupled with the re-pricing of credit risk and the deterioration of the housing markets in the United States and elsewhere, created increasingly difficult conditions in the financial markets and had a negative impact on investor confidence. This has negatively affected the interbank markets and debt issues in terms of volume, maturity and credit spreads. Among the sectors of the global credit markets that are experiencing particular difficulty due to the current crisis are the markets associated with sub-



prime mortgage backed securities, asset backed securities, collateralized debt obligations, leveraged finance and complex structured securities. These conditions have resulted in historic volatility, less liquidity or no liquidity, widening of credit spreads and a lack of price transparency in certain markets.

Most recently, these conditions have resulted in the failures of a number of financial institutions in the United States and Europe and unprecedented action by governmental authorities, regulators and central banks around the world. It is difficult to predict how long these conditions will exist and how the Bank's investments and markets will be adversely affected.

As a result, greater attention must be paid to liquidity risk management. According to its risk management policies, the Group seeks to mitigate the risk of liquidity, having adopted some measures along 2008 that ease the negative impact of the adverse environment of the markets' liquidity, namely through the reduction of commercial gap, reinforcement of deposits collection, sale of non-strategic assets and increase of highly liquid assets. The debt refinancing needs in the medium and long-term estimates for 2009 stand at 4.7 billion euros. In accordance with the strategy of global liquidity management of the Group, a significant reduction of the commercial gap (credit-on balance customer funds) has been established along 2009. It is expected that the management of loans to customers and customers' funds growth in 2009 would lower the commercial gap during 2009. The Bank funds itself in the interbank and capital markets in accordance with its financing needs. The resource to the ECB is justified mainly when the markets show signs of inefficiency. The Bank has a portfolio of highly liquid assets that can currently be used to raise about 7 billion euros with the ECB. The Bank expects to reach the end of 2009 with a total portfolio of eligible assets in the order of 9 billion euros. The Bank has already issued 1.5 billion euros guaranteed by the Portuguese Republic in January 2009, which is estimated to be half of the amount available in accordance with Law nr. 60-A/2008, of 20 of October, and decree order nr. 1219-A/2008, of 23 of October, which establish and regulate the possibility of the granting of guarantees by the Portuguese Republic within the initiative of financial stability reinforcement and of financial markets liquidity availability. The Bank also issued a further 2.0 billion euros unsecured debt during 2009.

Although the Bank considers that its risk management and risk mitigation policies are adequate, a continuation of this market environment could cause the Bank's liquidity position to deteriorate. Such deterioration would increase funding costs and limit the Bank's capacity to increase its credit portfolio and the total amount of its assets, which could have a material adverse effect on the Bank's business, financial condition or results of operations. These conditions may be exacerbated by persisting volatility in the financial sector and the capital markets, or concerns about, or a default by, one or more institutions, which could lead to significant market-wide liquidity problems, losses or defaults by other institutions. Further, it is not possible to predict what structural and/or regulatory changes may result from the current market conditions or whether such changes may be materially adverse to the Bank. If current market conditions and circumstances deteriorate further, or continue for protracted periods of time, this could also lead to a decline in available funding, credit quality and increases in defaults and non performing debt, which may have a negative impact on the rating, investments, business financial condition and results of operations of the Bank.

*Volatility in interest rates may negatively affect the Bank's net interest income and have other adverse consequences.*

Interest rates are highly sensitive to many factors beyond the Bank's control, including monetary policies and domestic and international economic and political conditions. As with any bank, changes in market interest rates could affect the interest rates the Bank charges on interest-earning assets differently than the interest rates the Bank pays on interest-bearing liabilities. This difference could reduce the Bank's net interest income. Further, an increase in interest rates may reduce the demand for loans and the Bank's ability to originate loans and contribute to an increase in credit default rates among its customers. Conversely, a decrease in the general level of interest rates may adversely affect us through, among other things, increased pre-payments on the Bank's loan and mortgage portfolio, lower net interest income from demand deposits, reduced demand for deposits and increased competition for deposits and loans. As a result, significant changes or volatility in interest rates may have a material adverse effect on Bank's business, financial condition or results of operations.

*The Bank may not be able to preserve its customer base.*

The Bank's success depends upon its ability to maintain customer loyalty by offering a wide range of high quality, competitive products with consistently high levels of service. The Bank has sought to achieve this objective by segmenting its customer base to better serve the diverse needs of each customer segment and by cross-selling its products and services through a distribution net in Portugal under a single brand "Millennium bcp". Additionally, the Bank seeks to maintain a long-term financial relationship with customers through the sale of anchor products and services, including credit for housing, domiciled salaries, permanent transfers, credit cards and savings products. The "bancassurance" offer also includes a wide range of products available from the Bank and is managed by insurance Ocidental – Companhia Portuguesa de Seguros de Vida, SA ("Ocidental Vida"), Ocidental – Companhia Portuguesa de Seguros, SA ("Ocidental"), Medis – Companhia Portuguesa de Seguros de Saúde, SA ("Medis"), and the management company of pension funds Pensõesgere – Society Pension Fund Manager, SA ("PensõesGere"), which is a tied insurance intermediary, all owned by Millenniumbcp Fortis – Group Insurance, SGPS, SA. This entity resulted from the partnership agreement with the Fortis Group for the business of "bancassurance" in Portugal and is held by 51% to 49% by Fortis and Banco Comercial Portuguese. Increased pricing competition in the Portuguese and European banking markets through the offer of products at significantly low prices 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 with consistently high levels of service could have a material adverse effect on the Bank's business, financial condition or results of operations.

*Labour disputes or other industrial actions could disrupt operations or make it more costly to operate.*

The Bank is exposed to the risk of labour disputes and other industrial actions. Approximately 78% of the Group's employees in Portugal and 44% of its total number of employees are members of labour unions and the Bank may experience strikes, work stoppages or other industrial actions in the future. Any such action could disrupt operations, possibly for a significant period of time, result in increased wages and benefits or otherwise have a material adverse effect on the Bank's business, financial condition or results of operations.

*The Bank may have to bear additional costs, especially as regards staff costs, related to the restructuring foreseen in its Management Priorities*

In order to implement the restructuring outlined in its Management Priorities, the Bank may proceed with a gradual reduction in the number of employees in Portugal or other countries. This would be done mostly through voluntary early retirements or negotiated exits that could involve additional restructuring charges related to personnel costs. Although past reductions in the number of employees have been achieved without any significant social, legal or reputational damage, the Bank cannot guarantee that these measures or any other future actions related to the reorganisation of the Bank's activities would not result in litigation, a disruption of work, or other material adverse effects on the Bank's business, financial position or results of operations.

*The Bank may have difficulty in hiring and retaining qualified personnel.*

The Bank's ability to successfully implement its strategy depends, namely, upon its ability to recruit and maintain suitably qualified and capable employees for each function in Portugal and other countries. Even though its human resources policy is aimed at achieving these goals, it is not possible to guarantee that constraints in this area will not arise in the future. An inability to attract and retain qualified and capable employees for each position may limit or delay the execution of its strategy, and could have a material adverse effect on the Bank's business, financial condition or results of operations.

*The Bank faces strategy risks.*

The Bank is exposed to strategy risks. There is a possibility that the Bank may take inadequate strategic decisions, fail to implement decisions or experience a lack of capacity to respond to evolving market conditions, and may therefore be unable to partially or fully achieve the targets announced in its strategic plan. It is not possible to guarantee in advance that the Bank will be able to execute its strategy and achieve its targets due to general conditions, including those resulting from worsening market conditions, the adverse economic environment, increased competition or actions taken by its main competitors. The execution of its strategy and the achievement of its targets may also be affected by specific conditions, including those resulting from possible delays or a failure to implement its strategic plan, accomplishment or success of its

structural expansion plan, impact of focusing measures of the Bank on the client, a lower than expected impact of initiatives embodied in the strengthening of risk management focusing in liquidity and capital managing, in the implementation of measures for profitability recovery and international focus of the portfolio, considering the possible divestiture in selected operations. The Bank could be unsuccessful in one or more measures in the ongoing management priorities. If Millennium bcp fails to achieve the strategic objectives established, its business, financial situation, results and the value of its shares may be adversely affected.

*The Bank faces compliance risks.*

The Bank operates in a highly regulated industry and is subject to claims of non-compliance and lawsuits by government agencies, regulatory agencies and third parties. Results of compliance reviews or other proceedings that are unfavourable to us may result in legal sanctions, limitations of its business opportunities, reduction of its growth potential or materially and adversely affect its ability to fulfill certain contractual obligations.

The Bank is also subject to rules and regulations related to money laundering and terrorism financing. Compliance with anti-money laundering and anti-terrorist financing rules entails significant cost and effort. Non-compliance with these rules may have serious consequences, including adverse legal and reputational consequences. Although the Bank believes that its current anti-money laundering and anti-terrorist financing policies and procedures are adequate to ensure compliance with applicable legislation, the Bank cannot guarantee that it will comply at all times with all rules applicable to money laundering and terrorism financing as extended to the whole Group and applied to its workers in all circumstances. A possible violation, or even any suspicion of a violation of these rules, may have serious legal and financial consequences, which could have a material and adverse effect on the Bank's business, financial condition or results of operations.

*The Bank may be exposed to unidentified risks or an unanticipated level of risk notwithstanding the risk management policies of the Bank.*

The Bank is exposed to a number of risks, including, among others, credit risk, market risk, operational risk and liquidity risk. Although the Bank has implemented risk management policies for each of the risks to which the Bank is exposed, taking into account worst case scenarios, the policies and procedures that the Bank employs to identify, monitor and manage these risks may not be effective. The Bank's risk management methods rely on a combination of technical and human controls and supervision that are subject to error and failure. Some of the Bank's methods of managing risk are based on internally developed controls and observed historical market behaviour, and also involve reliance on industry standard practices. These methods may not adequately prevent future losses, particularly in what relates to extreme market movements, which may be significantly greater than what historical measures indicate. These methods also may not adequately prevent losses due to technical errors if testing and quality control practices are not effective in preventing technical software or hardware failures. See "Risk Management" for a more detailed description of The Bank's risk management procedures.

*The Bank is exposed to credit risk.*

The Bank is exposed to the creditworthiness of its customers and counterparties.

This exposure can arise through trading, lending, deposit-taking, clearance and settlement and numerous other activities and relationships. These counterparties include institutional clients, brokers and dealers, commercial banks, investment banks and mutuals. Many of these relationships expose the Bank to credit risk in the event of default of a counterparty or client. In addition, the Bank's credit risk may be exacerbated when the collateral it holds cannot be realised at, or is liquidated at prices not sufficient to recover, the full amount of the loan or derivative exposure it is due to cover, which could in turn affect the Bank's ability to meet its payments under the Notes. Many of the hedging and other risk management strategies utilised by the Bank also involve transactions with financial services counterparties. The insolvency of these counterparties may impair the effectiveness of the Bank's hedging and other risk management strategies, which could in turn affect the Bank's ability to meet its payments under the Notes and may have a material adverse effect on the each of the Bank's financial condition and results of operations.

Risks arising from changes in credit quality and the repayment of loans and amounts due from borrowers and counterparties are inherent in a wide range of the Bank's business. Adverse changes in the credit quality of the Bank's borrowers and counterparties, a general deterioration in Portuguese or global economic conditions, or increased systemic risks in financial systems, could

affect the recovery and value of the Bank's assets and require an increase in provision for bad and doubtful debts and other provisions. This would have a material adverse effect on the each of the Bank's financial condition and results of operations.

Despite the current adverse economic environment, in recent years there has not been a significant deterioration in the creditworthiness of its customers. Non-performing loans determined in accordance with the Bank of Portugal definition, which includes loans over-due by more than 90 days and also doubtful debt, accounted for 2.1% of total loans and advances to customers as at March 31, 2009, compared to 1.4% of total loans and advances to customers as at December 31, 2008 and to 1.0% as at 31 December 2007. Credit impairment charges (net of recoveries) amounted to 160.1 million euros in the first quarter of 2009, versus 69.8 million euros in the first quarter of 2008, showing the increase of credit impairment charges, on the one hand, and the reduction of the volume of credit recoveries compared to first quarter of 2008, on the other. The figures for the full year of 2008 were 544.7 million euros in 2008, which compares to 260.2 million euros in 2007. The provision effort, measured as the proportion between the credit impairment charges (net of recoveries) and the total loan portfolio, excluding loans represented by securities, stood at 86 basis points as at March 31, 2009, an increase of 12 b.p. over the 2008 figure of 74 b.p., and 47 b.p. over the 2007 figure of 39 b.p. Coverage of overdue loans stood at 132.3% at March, 31, 2009, compared to 173.5% in 2008 and 220.4% in 2007. If economic growth continues to weaken, or if unemployment increases or if interest rates increase sharply, the creditworthiness of its customers may deteriorate. In addition, its provisions and other reserves may not be adequate or the Bank may have to make significant additional provisions for possible impairment losses in future periods. Any failure in risk management and control policies with respect to credit risk could have a material adverse effect on the Bank's business, financial condition or results of operations.

*The Bank is exposed to market risk.*

The Bank is exposed to market risk. This is the risk of a decline in the value of the Bank's investment holdings or its trading results as a consequence of changes in market factors, specifically: the risk of fluctuations in its share price; interest rate risk; foreign exchange risk and changes in the price of commodities. The performance of financial markets could cause changes in the value of the Bank's investment and trading portfolios. Changes in the level of interest rates, yield curves and spreads could affect the Bank's net interest margin. Changes in foreign exchange rates could affect the value of its assets and liabilities denominated in foreign currencies and could affect the results of trading.

As specified in Note 51 to the financial statements, included in Volume II of the Annual Report of 2008, the main measure used by the Group in evaluating the market risks (including interest rate risk, foreign exchange rate risk and equity price risk) is the VaR (Value at Risk). The VaR is calculated on the basis of the analysis approximation defined in the methodology developed by the RiskMetrics (1996). It is calculated considering a 10-working day time horizon and an unilateral statistical confidence interval of 99%. In 2008, the average of the VaR for the trading portfolio was 12.1 million euros.

Evaluation of the interest rate risk originated by the banking portfolio is performed via a risk sensitivity analysis process carried out every month for all operations included in the Group's consolidated balance sheet. On December 31, 2008, the interest rate risk sensitivity of the balance sheet, calculated through the difference between the present value of the interest rate mismatch after discounting the market interest rate and the discounted value of the same cash flows parallel shift of the market interest rate by +100 b.p., shows values of 41.7 million euros and -5.0 million euros on each of the Bank's main currencies, respectively, euro and dollars.

The Group uses derivatives to hedge certain products sold to clients (guaranteed loans and others) and to hedge operating risks, particularly interest and exchange rate risks. The trading activity in the derivatives portfolio has little impact on the Group's results and on its risk exposure.

The trading portfolios to shares available for sale amounted 298.4 million euros on March 31, 2009. Potential depreciations in the Group's trading portfolio to shares available for sale may have an adverse effect on the Group's financial condition or results.

The Bank has implemented risk management methods to mitigate and control these and other market risks to which the Bank is exposed and its exposure is continuously monitored. However, it is difficult to reliably forecast changes in market conditions and to anticipate the effects such changes could have on its financial condition and results of operations. The Bank is exposed to the

risk associated with investment in complex derivatives. Any failure in risk management and control policies with respect to market risk could have a material adverse effect on the Bank's business, financial condition or results of operations. Net trading income represented 20.3% of the operating income as at March 31, 2009.

*The Bank is subject to operational risks.*

In the ordinary course of its business and as a result of its organisational structure, the Bank 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 Bank continually monitors these risks by means of, among other things, advanced administrative and information systems and insurance coverage in respect of certain operational risks. However, it is not possible to ensure that the monitoring and prevention of these risks would be totally efficient. Any failure in its risk management and control policies with respect to operational risks could have a material adverse effect on the Bank's business, financial condition or results of operations.

Notwithstanding anything in this risk factor, this risk factor should not be taken as implying that either the Bank or the group will be unable to comply with its obligations as a company with securities admitted to the Official List of the Financial Services Authority.

*Liabilities to customers of the Bank are higher than the highly liquid assets*

The main source of funding for the Bank is its deposits base. In recent years, however, interest rates kept at historically low levels have resulted in the channeling of customers' savings applied in more traditional financial products, including deposits, for instruments with a greater profitability potential. This trend was reversed in 2008. The other sources of funding include the Bank's money market operations, the medium-and long-term bonds, commercial paper, medium-term structured products and securitization operations. In recent years the Bank has strengthened its own funds through capital increases (the most recent capital increase in cash entry occurred in April 2008), the issue of securities mandatorily convertible into shares, called Capital BCP 2005 (this issue occurred in December 2002, with a corresponding increase in capital in January 2006) of subordinated bonds and convertible bonds exchangeable (the remainder of the most recent issue, which occurred in 2001, has been repaid). The Group seeks to mitigate the liquidity risk and adopted some measures throughout 2007 and 2008 to mitigate the impact of adverse markets environment on its liquidity position – namely, by reducing the commercial gap, enhancing deposits taking, sale of non-strategic assets, increase highly liquid assets and increase the maturity of institutional funding. However the prolonged market crisis has led to a decline of the weight of the wholesale component with maturity greater than one year from 59.7% in 2007 to 48.7% as at December 31, 2008 and 47.7% as at March 31, 2009. The Bank's potential inability to obtain sufficient funds, in an adverse financial markets environment, especially following the "subprime" crisis, to match responsibilities to their clients and other investors could adversely affect its financial position and results. Additionally, due to the net borrowing position of the Bank, any reduction in its ratings could also adversely affect its financial position and results.

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

There is a risk that Bank's pension fund may be under-funded. If the deterioration in global financial markets causes investment returns and the value of its pension fund to further decline, the Bank may have to increase the amount of actuarial losses that will need to be recognised as a cost over the next 20 years, which could also be the case if changes in the actuarial assumptions regarding the pension fund take place. The effect of the depreciation of the Pension Fund's assets and the failure to generate the expected return assumed in the actuarial assumptions for 2008, on the one hand, and the change to the actuarial assumptions related with the discount rate, which rose from 5.25% in 2007 to 5.75% in 2008, and with the women's mortality table, which taken into consideration a life expectancy extended by two years, on the other, determined negative actuarial differences in 2008 to the sum of 827 million euros. As at December 31, 2008, the actuarial differences within the corridor (as defined below) totalled 572 million euros, representing 10% of the retirement pension liabilities at the year-end, the actuarial differences above the corridor standing at 1,568 million euros. The contributions the Bank has made to the pension fund are based on certain assumptions regarding mortality and, accordingly, there is a risk that the 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 Bank decided to recalculate the actuarial calculations from the date of establishment of the pension fund, which results in an

increase of the pension liabilities. Within the scope of this recalculation, all actuarial gains and losses in excess of 10% of the value of the fund's pension liabilities (the corridor) are now being amortised for the remaining average working life of the employees (now 20 years) until the retirement date of the employees (previously: 10 years). If its pension fund is under-funded, the Bank will be required to make additional contributions to the fund in the future, which could have a material adverse effect on its business, financial condition or results of operations. In addition, the Bank is required to deduct from Tier 1 Capital the portion of unrecognized actuarial losses exceeding 10% of its pension liabilities or the value of its pension fund assets, whichever presents the higher amount. As a result, any further declines in the value of its pension fund assets could have a material adverse effect on the Bank's capital position.

Considering the extraordinary circumstances that conditioned the activity of the financial markets during 2008, the Bank of Portugal, through Notice 11/2008, authorised the deferral of the actuarial losses determined during the year over the next four years, with the exception of the returns expected from the fund's assets in 2008, and for this reason the impact on the capital ratios as at December 31, 2008, consists of a deduction of 293 million euros from Core Tier I. Actuarial losses determined in 2008 will be deferred in the next four years in the amount of 534 million euros.

In 2006, the Executive Board of Directors decided that the pension of the employees would be financed through a defined contribution plan, however, the employees recruited previously to that resolution, would maintain the rights arising from the benefits plan until then in force. With this measure there will be a gradual reduction of the financial risk of the Pension Fund in future years.

*Reductions in the Bank's credit ratings would increase the cost of borrowing funds and make the ability to raise new funds or renew maturing debt more difficult.*

Credit ratings are an important component of the Bank's liquidity profile. Among other factors, credit ratings are based on the financial strength, the credit quality of, and concentrations in its loan portfolio, the level and volatility of earnings, capital adequacy, the quality of management, the liquidity of its balance sheet, the availability of a significant base of core retail and commercial deposits, and the ability to access a broad array of wholesale funding sources.

On 14 October 2008, Standard & Poor's revised the outlook from "stable" to "negative", confirming, however, the short and long term credit risk ratings, based on the following factors: the deterioration of profitability in 2007 and 2008 gives lower capacity to address negative situations, forecast of lower growth in demand for credit in Portugal, a market that continues to show what Standard & Poor's considers to be high levels of concentration of credit portfolio and potential deterioration of asset quality in light of the prospect of economic slowdown. Changes in the Bank's credit ratings to a level below "investment grade" would adversely affect its ability to raise funds in the capital markets or to renew maturing debt could be impaired. The Bank's customers are also sensitive to the risk of a ratings downgrade, which could increase the cost of borrowing funds. On 1 December 2008, Fitch Ratings affirmed the ratings of the Bank, keeping the "stable" outlook. On 22 October 2008, Moody's affirmed the ratings assigned to the Bank, including financial soundness of "C +", long-term rating of "Aa3" and short-term rating of "P-1", keeping the outlook in "stable". On April 6, 2009, Moody's placed on review for possible downgrade the bank financial strength ratings (BFSR) and long-term debt and deposit ratings and short-term ratings of six Portuguese banks, including Banco Comercial Português. The rating actions are prompted by the weakening of the Portuguese economic environment, as reflected by Moody's negative credit outlook on the Portuguese banking system, and pressure on the banks' current capitalisation levels as a result of relatively poor performances in 2008, anticipated lower revenue over the next few years and higher credit-related write-down requirements.

The Bank's ability to compete successfully in the marketplace for funding deposits depends on various factors, including financial stability as reflected by the operating results and credit ratings by nationally recognised credit agencies. As a result, a downgrade in credit ratings may impact its ability to raise funding, and could have a material adverse effect on its business, financial condition or results of operations.

*The Bank faces technological risks.*

Within the implementation of a new organisational and strategic coordination model, the Bank was structured in five business areas and two service areas (Bank Services and Corporate Areas). The Bank services area gathers the organic units which functions involve: the credit analysis, credit recovery, processing of operations, the development and exploration of IT, physic and logic security, administrative and property management, purchases and other units for the support of the

business areas activity. The operations developed by the Group, in Portugal and abroad, are based in an IT external but common and integrated infrastructure, promoting the increase of global efficiency. The Bank's operations are highly dependent on IT processing, especially following the centralisation of its information technology systems. IT processing involves recordkeeping, financial reporting and other systems, including point of sale monitoring and internal accounting systems. Regarding the IT security, the Bank continued to pursue a strategy aligned with the best international practices, as an example there is the main rule of security information ISO 17799/27001 (now denominated ISO 27002). Although its computer systems have been evaluated and the Bank believes its back-up facilities are adequate, the Bank cannot assure potential investors that the Bank will be able to identify and correct problems related to its information technology systems, or that the Bank will be able to implement technological improvements successfully. If any of these risks materialise, the Bank's business, financial condition or results of operations could be materially and adversely affected.

*The Bank's proprietary trading business involves risks.*

The Bank currently engages in various treasury activities for its own account, including placing euro and foreign currency-denominated deposits in the interbank market and trading in the primary and secondary markets for government securities. See "Selected Statistical Data – Assets – Treasury Bills, Government Bonds and Other Securities" for information on its portfolio of trading and investment securities for the three years ended 31 December 2008. Proprietary trading includes taking positions in the fixed income and equity markets using both cash and derivative products and financial instruments. Although its level of engagement in these activities is limited, propriety trading involves a degree of risk, as proprietary trading results will in part depend on market conditions. In addition, the Bank is dependent on a range of reporting and internal risk management tools to report its exposure in respect of such trading accurately and timely. The Bank could incur significant losses in respect of its future trading, which could have a material adverse effect on its business, financial condition or results of operations.

*The Bank's hedging may not prevent losses.*

The Bank engages in hedging transactions to reduce its exposure to various types of risks associated with its business. Many of its hedging strategies are based on historical trading patterns and correlations. Unexpected market developments therefore may adversely affect the effectiveness of its hedging strategies.

Moreover, the Bank does not hedge all of its risk exposure in all market environments or against all types of risk. In addition, the manner in which gains and losses resulting from certain ineffective hedges are recorded may result in additional volatility in its reported earnings. If any of its hedging instruments or strategies is ineffective, the Bank could incur losses that could result in a material adverse effect on its business, financial condition or results of operations.

## **Regulatory Risks**

*The Bank could be adversely affected by regulatory changes, which could affect, among other things, applicable capital adequacy requirements.*

The Bank operates in a highly regulated industry. The Bank could be adversely affected by regulatory changes in Portugal, the EU or the other countries in which the Bank operates or by political developments occurring in Portugal, the EU or in those countries. The Bank has no control over such regulatory changes and political developments and significant regulatory changes in Portugal, the EU or those foreign countries in which the Bank operates, or difficulty in implementing or complying with new regulatory requirements as well as significant political developments could have a material adverse effect on the Bank's business, financial condition or results of operations.

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 to capital requirements have been proposed by the Basel Committee.

In 2007, a new regulatory framework was implemented following the enactment of legislation that transposed into the legislation of European Union countries EU directives codifying the principles and definitions of the New Capital Accord of the Basel Committee on Banking Supervision,

commonly known as the Basel II Accord. During the third quarter of 2007, the Bank submitted a formal request for authorization to the Bank of Portugal in respect of the following methods for calculating the regulatory own funds requirements:

- The Internal Ratings Based approach for credit risk (IRB);
- The Internal Model approach for the assessment of general market risk to the Bank's trading portfolio, for all Group entities; and
- The Standard Approach for calculating the operational risk for all Group entities.

This formal request was a binding and decisive step in the evolution of the risk management and control policy of the Group as a logical consequence of an entire work of preparation and practical implementation of structures, mechanisms and instruments that, at all levels, has been developed by the Bank since 2003. The implementation of the new capital accord planned for 2009 will increase the sensitivity of capital requirements for credit risks.

On April 30, 2009, the Bank has informed that has received authorisation from the Bank of Portugal, under the terms of Decree-Law 103/2007 and 104/2007, to use the internal model method for the calculation of capital requirements for generic market risk. This authorisation, which covers Banco Comercial Português, S.A., Banco de Investimento Imobiliário S.A., and Banco ActivoBank (Portugal) S.A. is the result of a process that began in September 2007 and follows the authorisation already received to use the standard method for calculating regulatory capital requirements for the purpose of operational risk coverage for the same institutions, and also on a consolidated basis.

As the Bank of Portugal has not yet announced a complete decision on this request, and as long as its opinion is not released, the Bank will apply standard approach to credit risk. The Bank cannot guarantee that the Bank of Portugal will approve its application and its capital ratios could be affected by the implementation of the standard to risks.

Following the international financial crisis and the concerted action of central banks and governments to recapitalise the European financial institutions and provide guarantees to the financial sector, and to create conditions for the banks to resume the financing market, and the intervention of the Portuguese State in Banco Português de Negócios S.A., the Bank of Portugal has issued a recommendation for banks to reach a Tier I capital ratio of not less than 8% until September 2009. Although the Tier I ratio of Banco Comercial Portuguese was at 6.8% in March 2009, it cannot be guaranteed beforehand that the recommendation established the Bank of Portugal will be achieved solely through organic capital generation and it may be necessary to use specific measures, which may involve the sale of particular assets and the consequent reduction in Risk-Weighted Assets or issuance of non-dilutive financial instruments so that Tier I capital ratio reaches a percentage of 8% or more until 30 September 2009. Moreover, the capital adequacy requirements are established and amended from time to time by the regulator, therefore they are not under the Bank's determination.

*The Bank could be adversely affected by a change in tax legislation and regulation and increased taxes or decreased tax benefits.*

The Bank could be adversely affected by tax changes in Portugal, the EU or those foreign countries in which the Bank operates. The Bank has no control over such tax changes, or changes in interpretation of tax laws by any fiscal authority. Significant changes in tax legislation in Portugal, the EU or those foreign countries in which the Bank operates, or difficulty in implementing or complying with new tax legislation could have a material adverse effect on the Bank's business, financial condition or results of operations.

### **Risks Relating to Acquisitions**

*The Bank may be the object of an unsolicited acquisition bid.*

In light of the ongoing trend in Europe towards the consolidation of the banking sector, the Bank could be the object of an unsolicited acquisition bid. If such an acquisition were to occur, there could be changes in its corporate strategy, the main focus of its business, or its operations and resources.

*The Bank may engage in mergers and/or acquisitions.*

Although the Bank's strategic plan is focused on organic growth and the Bank has reinforced its commitment to its strategic goals, there is no guarantee that the Bank will not participate in



mergers and/or acquisitions in Portugal or elsewhere should opportunities to create value arise. In the event the Bank participates in mergers and/or acquisitions, there could be changes in its corporate strategy, in its organization and structure, its main business focus, its resources, and in its financial condition and results of operations. Additionally, if the Bank was to engage in such an operation, it is possible that the Bank may not be able to extract all the cost and/or revenue synergies, totally or partially, associated with such mergers and/or acquisitions. The Bank may also have to support additional personnel costs resulting from any restructurings needed to integrate acquired operations or businesses successfully. Moreover, future mergers or acquisitions could result in unexpected losses due to unexpected liabilities, which could have a material adverse effect on the Bank's business, financial condition or results of operations.

### **Risks Relating to the Market**

*The Bank faces strong competition in its principal areas of operation in Portugal.*

Since 1996, there has been a significant expansion of personal financial services in the Portuguese banking market, resulting in the sustained development of mortgage credit, consumer loans, investment funds and unit linked products and an 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 multiproduct, multi-channel 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 more accurately. Foreign banks have also entered the Portuguese market, particularly in areas such as corporate banking, asset management, private banking and brokerage services. These developments have resulted in increased competition.

It is expected that the trend towards the integration of European financial markets will intensify, which may contribute to a further increase in competition, primarily in asset management, investment banking, online brokerage services and remote marketing of financial services. In light of this increased competition, and notwithstanding the fact that it holds a strong competitive position in the Portuguese market, the Bank may not be able to compete effectively in the markets in which it operates, or be able to maintain or increase the level of its results of operations, any of which could have a material adverse effect on the Bank's business, financial condition or results of operations.

*The Bank may face difficulties in its international expansion.*

The Bank continues to pursue its strategy of internationalization by developing its activities abroad in Poland, Greece, Romania, Mozambique, Angola, Turkey and the United States. The full success of the Group in international markets in which it operates cannot be guaranteed in advance. Additionally, the Group's international operations are exposed to risks resulting from any adverse developments at the political, economic and governmental levels in countries where it operates. These factors may adversely affect the financial condition and results of the Group. Some of the Group's international operations also expose it to foreign exchange risk, directly and indirectly. The change in value against the euro, namely of the Polish zloty and the Romanian leu, in which some of the Group's international operations account their income may adversely affect the financial condition and results of the Group. The zloty depreciated by 33.1% against the euro, while the devaluation of the Romanian leu was 13.7% in the last 12 months ended in March 2009. The metical and the kwanza depreciated 2.1% and 15.3% in the same period, respectively. While the first case, the depreciation of the zloty was reflected negatively on the results of the Group, the devaluation of the Romanian leu, given the initial phase of the project had a positive impact by reducing the negative result of Banca Millennium, in euros. Thus, although the weight of these markets with foreign exchange risk is currently only about 5% of the Group net income, any devaluation of these currencies against the euro, could have a negative impact on business, financial condition and results of the BCP Group. The use of funds denominated in foreign currency in some East European countries may expose some of the Bank's customers to exchange rate risk, affecting the financial condition of these entities and therefore the results of the Bank, particularly in the case of frustration of the current expectations of accession to the European single currency in the medium term or in case of episodes of reallocation of portfolios of institutional investors for assets of safe haven rather than assets in emerging markets. The initial phase of the development of the economies of Angola and Mozambique is still characterized by high dependence of economic growth of these countries to a limited number of economic sectors with some volatility

and to external assistance, this increases their vulnerability to specific shocks on these markets and financial capacity of the main “donor-countries”.

### **Risks Relating to Administrative Proceedings by the CMVM and the Bank of Portugal**

The Bank is being subject to administrative proceedings by the CMVM and the Bank of Portugal, under which the Bank is being charged and has provided defence, regarding operations, including the funding of the acquisition of shares that the Bank itself issued, performed with entities, notably off-shore entities, and, in that context, has proceeded, for precautionary reasons, to the registration of a 300 million euros (220,5 million euros net of taxes) adjustment to its financial statements

### **Summary of proceedings and inspections by the CMVM and the Bank of Portugal**

At the end of the year of 2007, the Bank received a formal notice dated 27 December 2007 informing it that administrative proceeding no. 24/07/CO was being brought by the Bank of Portugal against the Bank, “*based on preliminary evidence of administrative offences foreseen in the General Framework of credit Institutions and Financial Companies (approved by Decree-Law no. 298/92, of December 31), in particular with respect to breach of accounting rules, provision of false or incomplete information to the Bank of Portugal, in particular with respect to the amount of own funds and breach of prudential obligations*”.

A press release issued by the Bank of Portugal on 28 December 2007 mentioned that such administrative proceeding was brought “*based on facts related to 17 off-shore entities, the nature and activities of which were always hidden from the Bank of Portugal, in particular in previous inspections carried out*”.

On 12 December 2008, the Bank was notified by the Bank of Portugal of an accusation against the Bank under the administrative proceeding no. 24/07/CO instructed by the Bank of Portugal.

The Bank did not accept the charges or accusations against itself, and provided defense under this administrative proceeding within the respective term, which ended on 16 March, 2009.

On 12 December 2008, the Bank was also notified by the CMVM of an accusation against itself under the administrative proceeding no. 41/2008.

The Bank did not accept the accusation and has already provided, on 27 January 2009, defense under the administrative proceeding in question, having argued the total rejection of the accusation.

Previously, on 21 December 2007, CMVM had addressed a notice to the Bank, indicating that it should make public disclosure thereof, which the Bank did on 23 December 2007. The notice read as follows:

*“The CMVM, pursuant to its powers, is now engaged in a supervision action on BCP (as a listed company), in order to determine the nature and the activities of several off-shore entities responsible for investments in securities issued by BCP Group or related entities. Despite the process of supervision being pending, in particular in order to obtain a complete and final description of the situation and of the market behaviour of those entities, as well as to determine the relevant liabilities (including personal liabilities), the CMVM came to the following preliminary findings:*

- (a) The mentioned off-shore entities have constituted securities portfolios – which included almost exclusively shares of BCP Group – with financing obtained from Banco Comercial Português, and there is, in general, no evidence that such entities were financed for this purpose by any other significant transfer from an entity external to BCP Group;*
- (b) It is already known that part of the debt was eliminated through the assignment of credits to third parties for a residual consideration;*
- (c) The conditions of these financings and the governance of such entities give the appearance that BCP has assumed all the risk concerning those off-shore entities, and that it had power to control the life and business of such entities;*
- (d) Thus, such transactions are in fact the financing for the acquisition of own shares not reported as such. This configuration is also present in a transaction made with a financial institution, which lead this institution to disclose a qualified shareholding, even though the economic interest and the possibility of exercising the voting rights remained within BCP;*

- (e) Pursuant to the described circumstances, it may be concluded that the information given to the authorities and to the market, in the past, was not always complete and/or true, in particular concerning the amount of BCP's own funds and its owners;
- (f) Significant market transactions made by the mentioned entities were detected, involving significant considerations; these transactions require a deeper analysis, in order to find out about possible infringements of the market rules.

Thus, given the nature of these conclusions and the urgency of the matter, the CMVM, under article 360, no. 1, f) of the Portuguese Securities Code, asks BCP to immediately:

- (a) Inform the market about whether the financial information recently disclosed by it already reflects all the financial losses pursuant to the above mentioned situation;
- (b) Inform about the existence of any other situations which were not disclosed, in order to allow the investors to make a properly reasoned judgment about the securities issued by BCP;
- (c) Transcribe in its communication the full text of this CMVM notice; BCP may inform, if it deems appropriate, the fact that BCP was not yet formally heard about these conclusions.

The CMVM will continue the current process of supervision within its powers and with all its consequences, and will notify the appropriate authorities of any illegalities of different nature, and will further cooperate with the Bank of Portugal within the framework of Bank of Portugal's powers."

In the process mentioned above, the Bank of Portugal charges the Bank with the practice of six administrative proceedings referred in g) and three administrative proceedings referred in r), both of article 211 of the General Framework of Credit Institutions and Financial Companies ("RGICSF").

The administrative proceedings, in case the types of conduct listed in the accusation are demonstrated, would be the following:

- (a) the breach of accounting rules or procedures set forth in the law or by the Bank of Portugal which does not cause a serious harm to the knowledge of the patrimonial and financial standing of the Institution constitutes an administrative offence foreseen in article 210, f), of RGICSF, punished, in the case of companies, with a fine between Euros 750 and Euros 750,000. If, on the other hand, the relevant conduct causes such serious harm, that it may constitute an administrative offence foreseen in article 211, g), of RGICSF, punished, in the case of companies, with a fine between Euros 2,500 and Euros 2,494,000;
- (b) The (i) omission of information and communications due to the Bank of Portugal in the relevant delays; or (ii) the provision of incomplete information, constitutes an administrative offence foreseen in article 210, h) (now i)), of RGICSF, punished, in the case of companies, with a fine between Euros 750 and Euros 750,000. On the other hand, the provision to the Bank of Portugal of (i) false information, or (ii) incomplete information, capable of leading to erroneous conclusions with identical or similar effect to that of the provision of false information on the matter constitutes an administrative offence foreseen in article 211, r), of RGICSF, punished, in the case of companies, with a fine between Euros 2,500 and Euros 2,494,000;

According to the accusation, each of the administrative proceedings is punished by a fine between Euros 2,493.99 and Euros 2,493,989.49, which, according to the rule of the concurrence of offences foreseen in the article 19, no. 1 and 2 of the General Regime of Administrative Proceedings, in case of conviction of several administrative proceedings in concurrence, there can only be one fine, of which the upper limit can not exceed twice the highest limit of administrative proceedings in concurrence.

In the accusation notified to the Bank in the administrative proceeding no. 41/2008 CMVM referred to above, the Bank is charged with seven administrative proceedings for alleged violation of article 7. of Portuguese Securities Code ("CVM") and article 389, no 1, a) of the CVM.

Pursuant to article 7 of the CVM, the information relating to financial instruments, securities markets, financial intermediation activities, settlement and clearing of transactions, public offers and issuers should be complete, truthful, up-to-date, clear, objective and lawful.

According to the accusation, each of the administrative proceedings charged are very serious administrative proceedings punished by a fine between Euros 25,000 and Euros 2,500,000, which, according to the rule of the concurrence of offences foreseen in the article 19, no. 1 and 2 of the

General Regime of Administrative Proceedings, in case of conviction of several administrative proceedings in concurrence, there can only be one fine, of which the upper limit can not exceed twice the highest limit of administrative proceedings in concurrence, to a maximum amount of Euros 5,000,000.

On 26 June 2009, Banco Comercial Português, S.A. received the notification regarding CMVM's decision of a single fine of €5.000.000, with partial suspension of €2.500.000 over a 2 year period, the full fine becoming again applicable if during such 2 year period there is any infraction of the Portuguese Securities Rules and Regulations.

### **Financial statements adjustments**

In December 2007 the Bank initiated an internal inquiry proceeding regarding the operations related with the above mentioned off-shore entities. Moreover, the Bank has fulfilled the requests made by CMVM and by the Bank of Portugal, namely by providing the documentation solicited.

According to the existing information of the supervision authorities inspections regarding a more complete analysis of the economic substance of the operations above described, in 2008 and in view of the risks now identified, the Bank decided to consider a more prudent interpretation of the nature and restructuring of the operations, and therefore proceeded to a 300 million euros registration adjustment with effect as of 1 January 2006, the net tax effect of which amounts to about 220,5 million euros. This decision did not imply any type of recognition by the Bank of the existence of any alleged offences.

This adjustment has reduced the Tier I capital ratios of the Bank and can decrease the confidence and therefore create difficulties in effecting eventual future share capital increases. It cannot be ensured that the Bank will not be required make new adjustments, depending, on the one hand, on the results of the proceedings and inspections made by the Bank of Portugal and by the CMVM or, on the other hand, as consequence of, or in relation with, the operations summarised below.

### *Summary of the off-shore entities activities and respective transactions*

The aforementioned proceedings and inspections, as well as the referred adjustment, are related to the operations which will be summarised below.

Between 1999 and 2002, certain off-shore entities, with financing obtained by the Bank, acquired shares of the Bank, which, in November 2002, amounted approximately to 5% of the Bank's share capital. In November 2002, those entities alienated those shares to a financial institution, with a currency consideration, having also received securities indexed to shares issued by that financial institution (Equity-Linked Notes). In 2004, the mentioned financings were restructured and assumed by an enterprise group of which the activity consists of real estate projects (hereinafter referred to as "GI"). Within this operation, the GI assumed before the Bank a net liability of circa 450 million euros. The Bank also alienated to GI the Real Estate Commercial Company (hereinafter referred to as "CI") by 26 million euros and a set of other real estate in the amount of 61 million euros. Subsequently, the Bank reacquired, during the year 2004, 11,5% of CI share capital.

In 2005, the Bank made a specimen contribution to the Group Pension Fund of a set of assets in which was included commercial paper issued by CI, in the amount of 200 million euros, together with the shares issued by listed companies. The proceeds of the issuance of commercial paper by the CI were used to reimburse part of the debt towards the Bank. In 2007, with the conversion of the commercial paper into CI share capital, the GI Group became holder of a 68,34% of CI share capital and BCP Pension Fund of 28,29% (18,29% were subsequently alienated to the Bank).

In 2006, CI acquired a participation and economic interest of 54% in a real estate development project in Luanda, Angola ("*Baía de Luanda Project*") and the Bank granted shareholders loans in the amount of 300 million euros, which was used to partially reimburse the loans due by GI to BCP.

In 2007, the Bank accepted 68,34% of CI share capital as payment of 61 million euros of liabilities due.

As result of the above mentioned operations, among other factors, (i) all the loans granted by the Bank to the off-shares (subsequently assumed by GI) were reimbursed; (ii) as of 2005, the Bank allocated a 85 million euros provision for that credit, (iii) the Bank is creditor of CI in the amount of 300 million euros in shareholders' loans, which, after the above mentioned adjustment, are recorded by the net value of 23,4 million euros; (iv) the Bank holds 99,99% of CI share capital and, indirectly, about 54% of the future benefices in Baía Luanda Project (participation which, according

to two independent evaluations performed in September 2007, was then evaluated between 278,8 and 231,6 million euros).

According to the existing information of the supervision authorities inspections regarding a more complete analysis of the economic substance of the operations described above, the Bank decided to consider a more prudent interpretation in view of the risks identified, the nature and restructuring of the operations, and therefore proceeded to a 300 million euros registration adjustment (220,5 million euros net of taxes) regarding the shareholder loan entered into with CI, having proceeded to its financial record in the amount invested (23,4 million euros). This decision did not imply any type of recognition by the Bank of the existence of the alleged offences that may arise. The adjustment produced effects in 1 January 2006 and the financial statements of the Bank on 31 December 2007 were adjusted as to reflect these restructuring effects as of 1 January 2006. The Bank had not been notified of any accusation when this adjustment was produced and did not admit or admits any offence or liability regarding the above mentioned operations.

As previously mentioned, on 12 December 2008, the Bank was notified of the accusation by the CMVM and the Bank of Portugal under administrative processes against it and relative to facts, namely those mentioned above, which occurred previously to the 2008 financial year.

At the present time it is not possible to foresee the outcome of the aforementioned accusations or if, in the future, any new proceedings or inspections will be brought against the Bank. However, the Bank, depending on the result of the present accusations, inspections and proceedings, has a risk of being subject to penalties of civil, administrative and other nature, including fines. The Bank may also be subject to inspections or proceedings by other regulators and disputes, in Portugal or elsewhere, may be intended by the shareholders or third parties. Should those disputes be decided against the Bank, it may incur significant losses and its ratings may be downgraded. Any of these regulatory proceedings and disputes may result in negative publicity and perceptions regarding the activity developed by the Bank, which may result in the loss of clients and increase the financing costs and, furthermore, direct the attention of the day-to-day management team of the Bank's activity. As a consequence, the development of the regulatory inspections, any subsequent regulatory proceedings and liabilities charged and any dispute arising from, or connected with, the operations mentioned above, if decided against the Bank, could have a material adverse effect on the Bank's business, financial condition or results of operations.

#### **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.

The Issuer may issue Covered Bonds with principal or interest determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each, a "**Relevant Factor**"). In addition, the Issuer may issue Covered Bonds with principal or interest payable in one or more currencies which may be different from the currency in which the Covered Bonds are denominated. Potential investors should be aware that:

- (i) the market price of such Covered Bonds may be volatile;
- (ii) they may receive no interest;
- (iii) payment of principal or interest may occur at a different time or in a different currency than expected;
- (iv) they may lose all or a substantial portion of their principal;
- (v) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- (vi) if a Relevant Factor is applied to Covered Bonds in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable likely will be magnified; and
- (vii) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

The historical experience of an index should not be viewed as an indication of the future performance of such index during the term of any Index Linked Covered Bonds. Accordingly, each potential investor should consult its own financial and legal advisers about the risk entailed by an investment in any Index Linked Covered Bonds and the suitability of such Covered Bonds in light of its particular circumstances.

## 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.

On 15 September 2008 the European Commission issued a report to the Council of the European Union on the operation of the Directive, which included the Commission's advice on the need for changes to the Directive. On 13 November 2008 the European Commission published a more detailed proposal for amendments to the Directive, which included a number of suggested changes. The European Parliament approved an amended version of this proposal on 24 April 2009. If any of the proposed changes are made in relation to the Directive, they may amend or broaden the scope of the requirements described above.

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 the clearing system operated at Interbolsa and settled by Interbolsa's settlement system.

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

The Covered Bonds of each Series will be in book-entry form (*forma escritural*) and title to the Covered Bonds will be evidenced by book entries in accordance with the provisions of the Portuguese Securities Code and the applicable CMVM regulations. No physical document of title will be issued in respect of Covered Bonds held through Interbolsa. The Covered Bonds can be either *nominativas* (in which case Interbolsa, at the Issuer's request, can ask the Interbolsa Participants information regarding the identity of the holders of Covered Bonds and transmit such information to the Issuer) or *ao portador* (in which case Interbolsa cannot inform the Issuer of the identity of the holders of Covered Bonds), 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) **if made in euro** (a) 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 used by the Interbolsa Participants for payments in respect of securities held through Interbolsa and thereafter (b) credited by such Interbolsa Participants from the aforementioned payment current-accounts to the accounts of the owners of those Covered Bonds or through Euroclear and Clearstream, Luxembourg to the accounts with Euroclear and Clearstream, Luxembourg of the beneficial owners of those Covered Bonds, in accordance with the rules and procedures of Interbolsa, Euroclear or Clearstream, Luxembourg, as the case may be; (ii) **if made in currencies other than euro** (a) transferred, on the payment date and according to the procedures and regulations of Interbolsa, from the account held by the relevant Paying Agent in the Foreign Currency Settlement System (*Sistema de Liquidação em Moeda Estrangeira*), managed by Caixa Geral de Depósitos, S.A., to the relevant accounts of the relevant Interbolsa Participants, and thereafter (b) transferred by such Interbolsa Participants from such relevant accounts to the accounts of the owners of Covered Bonds or through Euroclear and Clearstream, Luxembourg to the accounts with Euroclear and Clearstream, Luxembourg of the owners of 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 Interbolsa Participants. After a payment has been processed, whether in full or in part, the Paying Agent must confirm that fact to Interbolsa.

Procedures relating to Covered Bonds denominated in a currency other than Euro will be in accordance with the relevant Interbolsa procedures.

#### *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 1 year and on all receipts and interest coupons relating to such Covered Bonds.

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

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

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

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

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

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

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

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

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

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

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

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

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

*Covered Bonds issued in the NGN form*

On 13 June, 2006 the European Central Bank (the "ECB") announced that Covered Bonds in NGN form are in compliance with the "Standards for the use of EU securities settlement systems in ESCB credit operations" of the central banking system for the Euro (the "Eurosystème"), 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 Eurosystème 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 Eurosystème monetary policy and intra-day credit operations by the Eurosystème either upon issue, or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystème 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 Euro 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 23 July, 2009 [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 23 July, 2009 [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 23 July, 2009 [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 23 July, 2009 [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 23 July, 2009 [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: [●]  
*(Note: Covered Bonds held through Interbolsa may only be issued in Euro, U.S. Dollars, Sterling, Japanese yen and Swiss francs)*
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] (if applicable)]  
(ii) [Net Proceeds (Required only for listed issues):] [●]]
6. Specified Denominations: [●]  
*(NB Where Bearer Covered Bonds with multiple denominations above Euro [50,000] or equivalent are being used the following language should be used:  
“Euro [50,000] and integral multiples of Euro [1,000] in excess thereof up to and including Euro [99,000]. No Covered Bonds in definitive form will be issued with a denomination above Euro [99,000]”)*  
*(NB If an issue of Covered Bonds is (i) NOT admitted to trading on an European Economic Area exchange; and (ii) only offered in the European Economic Area in circumstances where a prospectus is not required to be published under the Prospectus Directive the [Euro 50,000] minimum denomination is not required.)*
7. (i) Issue Date: [●]  
(ii) [Interest Commencement Date (if different from the Issue Date): [specify/Issue Date/Not Applicable]]  
*(NB An Interest Commencement Date will not be relevant for certain Covered Bonds, for example Zero Coupon Covered Bonds.)*
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)*]  
*(NB If the Final Redemption Amount is other than 100 per cent. of the nominal value the Covered Bonds will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.)*
12. Change of Interest or Redemption/Payment Basis: *[Specify details of any provision for convertibility of Covered Bonds into another Interest Basis 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/other (specify)] in arrear]
  - From Maturity Date up to Extended Maturity Date: [Not Applicable]/ [●] per cent per annum. [payable [annually/semi annually/quarterly/other (specify)] 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: [●] *(Either LIBOR, EURIBOR or other, although additional information is required if other – including fallback provisions in the Agency Agreement)*
  - 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 TARGET2 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: [●] *(Either LIBOR, EURIBOR or other, although additional information is required if other – including fallback provisions in the Agency Agreement)*

- 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 TARGET2 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/Actual (ISDA)  
Actual/365 (Fixed)  
Actual/365 (Sterling)  
Actual/360  
30/360  
30E/360  
30E/360 (ISDA)  
Other]  
(see Condition 4 (*Interest*) for alternatives)

- From Maturity Date up to Extended Maturity Date: [Not Applicable]/  
[Actual/Actual (ISDA)  
Actual/365 (Fixed)  
Actual/365 (Sterling)  
Actual/360  
30/360  
30E/360  
30E/360 (ISDA)  
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*)  
  
(NB *If the Final Redemption Amount is other than 100 per cent. of the nominal value the Covered Bonds will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.*)

- 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:

[give name (and, if the Covered Bonds are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, address)]

(iii) Party responsible for calculating the Rate of Interest (if not the Calculation Agent) and Interest Amount (if not the 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 Index Linked Covered Bonds after the Maturity Date.]
- (iv) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable: [need to include a description of market disruption or settlement disruption events and adjustment provisions]
- 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 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.]
- (vi) 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.]
- (vii) 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.]
- (viii) 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.]
- (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 Index Linked 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 Index Linked Covered Bonds after the Maturity Date.]
- (xi) 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/specify other/see Appendix]
  - (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/specify other/see Appendix]
- (iii) Notice period (if other than as set out in the 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)
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:
- (a) [Form:]
- Bearer Covered Bonds:*
- [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]]
- [Registered Covered Bonds]
- Book Entry Covered Bonds:*
- [Book Entry Covered Bonds *nominativas*]
- [Book Entry Covered Bonds *ao portador*]]
- (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:*
- "[Euro 50,000] and integral multiples of [Euro 1,000] in excess thereof up to and including*

*[Euro 99,000]. No Covered Bonds in definitive form will be issued with a denomination above [Euro 99,000]”.)*

*(Furthermore, such Specified Denomination construction is not permitted in relation to any issue by a Temporary Bearer Global Note exchangeable for Definitive Bearer Notes)*

- (b) [New Global Note: [Yes] [No]]
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. NB a new form of Temporary Bearer Global Note and/or Permanent Global Bearer Note may be required for Partly Paid issues]
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 applicable Day Count Fraction and any provisions necessary to deal with floating rate interest calculation (including alternative reference rates))] (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.)*  
*(Consider including a term providing for tax certification if required to enable interest to be paid gross)*

## DISTRIBUTION

32. (i) If syndicated, names of Managers: [Not Applicable/give names and date of relevant agreement]  
*(If the Covered Bonds are derivative securities to which Annex XII of the Prospectus Directive*

*Regulation applies, include names of entities agreeing to underwrite the issue on a firm commitment basis and names of the entities agreeing to place the issue without a firm commitment or on a "best efforts" basis if such entities are not the same as the Managers.)*

- (ii) Date of [Subscription] Agreement: [●]  
*(The above is only relevant if the Covered Bonds are derivative securities to which Annex XII of the Prospectus Directive Regulation applies).*
- (iii) Stabilising Manager(s) (if any): [Not Applicable/give names]
- (iv) Commission Payable/Selling Concession: [●]
33. If non-syndicated, name of relevant Dealer: [Not Applicable/give name and date of relevant agreement]
34. U.S. Selling Restrictions: [Reg. S Compliance Category; TEFRA D/TEFRA C/TEFRA not applicable]
35. Additional selling restrictions: [Not Applicable/give details ]

#### **PURPOSE OF FINAL TERMS**

These Final Terms comprise the final terms required for issue [and] [admission to trading on [specify relevant regulated market (for example the Bourse de Luxembourg, the London Stock Exchange's regulated market or the Regulated Market of the Irish Stock Exchange) and, if relevant, listing on an official list (for example, the Official List of the UK Listing Authority)] of the Covered Bonds described herein pursuant to the Euro 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. [Relevant third party information, for example in compliance with Annex XII to the Prospectus Directive Regulation in relation to an index or its components] has been extracted from [specify source]. 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 [specify source], no facts have been omitted which would render the reproduced information inaccurate or misleading.

Signed on behalf [name of the Issuer]:

By: \_\_\_\_\_  
Duly authorised

## PART B – OTHER INFORMATION

### 1. Listing and Admission to trading

- (i) Listing and Admission to trading: [Application has been made by the Issuer (or on its behalf) for the Covered Bonds to be admitted to trading on [specify relevant regulated market (for example the Bourse de Luxembourg, the London Stock Exchange's regulated market or the Regulated Market of the Irish Stock Exchange) and, if relevant, listing on an official list (for example, the Official List of the UK Listing Authority)] with effect from [●].] [Application is expected to be made by the Issuer (or on its behalf) for the Covered Bonds to be admitted to trading on [specify relevant regulated market (for example the Bourse de Luxembourg, the London Stock Exchange's regulated market or the Regulated Market of the Irish Stock Exchange) and, if relevant, listing on an official list (for example, the Official List of the UK Listing Authority)] with effect from [●].] [Not Applicable.]  
*(When documenting a fungible issue need to indicate that original Covered Bonds are already admitted to trading)*
- (ii) Estimate of total expenses related to admission to trading: [●]

### 2. Ratings

- Ratings: The Covered Bonds to be issued have been rated:  
[S & P: [●]]  
[Moody's: [●]]  
[Fitch: [●]]  
[[Other]: [●]]  
*(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. [Interests of Natural and Legal Persons Involved in the [Issue/Offer]

[Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the issue of the Covered Bonds has an interest material to the offer. – Amend as appropriate if there are other interests]

*[(When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)]*

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

- [(i) Reasons for the offer: [●]]  
[(ii) Estimated net proceeds: [●]]  
[(iii) Estimated total expenses: [●]]

*(NB Delete unless the Covered Bonds are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, in which case (i) above is required where the reasons for the offer are different from making profit and/or hedging certain risks and, where such reasons are inserted in (i), disclosure of net proceeds and total expenses at (ii) and (iii) above are also required.)*

5. [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.

6. [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.]*

*[Include other information concerning the underlying required by paragraph 4.2 of Annex XII of the Prospectus Directive Regulation.]*

*[(When completing the above paragraphs, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)]*

The Issuer [intends to provide post-issuance information [specify what information will be reported and where it can be obtained]] [does not intend to provide post-issuance information].

*(NB This paragraph 6 only applies if the Covered Bonds are derivative securities to which Annex XII of the Prospectus Directive Regulation applies.)*

7. Operational Information

(i) ISIN Code:

[●]

(ii) Common Code:

[●]

(iii) 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)]

(iv) Delivery:

Delivery [against/free of] payment

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

[●]

(vi) [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 23 July, 2009 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 and of Book Entry 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 will be issued in bearer form and will be initially represented by a Global Covered Bond, in registered form or in book entry form (*forma escritural*) 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 or Book Entry 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 Euro 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 Euro 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 or Book Entry 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 or Book Entry Covered Bonds 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 TARGET2 System is open.

**(B) Rate of Interest**

*Floating Rate Covered Bonds*

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

- (i) *ISDA Determination for Floating Rate Covered Bonds*: Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this subparagraph, “**ISDA Rate**” for an Interest Period means a rate equal to the Floating Rate that would be determined by the Agent or other person specified in the applicable Final Terms under an interest rate swap transaction if the Agent or that other person were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Covered Bonds (the “**ISDA Definitions**”) and under which:

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

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

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

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

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

The 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/Actual (ISDA)**” 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, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“**Y<sub>1</sub>**” is the year, expressed as a number, in which the first day of the Interest Period falls;

“**Y<sub>2</sub>**” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“**M<sub>1</sub>**” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“**M<sub>2</sub>**” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“**D<sub>1</sub>**” is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case **D<sub>1</sub>** will be 30; and

“**D<sub>2</sub>**” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and **D<sub>1</sub>** is greater than 29, in which case **D<sub>2</sub>** will be 30;

- (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, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“Y<sub>1</sub>” is the year, expressed as a number, in which the first day of the Interest Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

“D<sub>2</sub>” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D<sub>2</sub> will be 30;

- (i) if “30E/360 (ISDA)” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“Y<sub>1</sub>” is the year, expressed as a number, in which the first day of the Interest Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D<sub>1</sub> will be 30; and

“D<sub>2</sub>” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D<sub>2</sub> will be 30.

*(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 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 States, and the 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*

Whilst the Covered Bonds are held through Interbolsa, payment of principal and interest in respect of the Covered Bonds will be (i) if **made in euro** (a) 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 used by the Interbolsa Participants for payments in respect of securities held through Interbolsa and thereafter (b) credited by such Interbolsa Participants from the aforementioned payment current-accounts to the accounts of the owners of those Covered Bonds or through Euroclear and Clearstream, Luxembourg to the accounts with Euroclear and Clearstream, Luxembourg of the beneficial owners of those Covered Bonds, in accordance with the rules and procedures of Interbolsa, Euroclear or Clearstream, Luxembourg, as the case may be; (ii) if **made in currencies other than euro** (a) transferred, on the payment date and according to the procedures and regulations of Interbolsa, from the account held by the relevant Paying Agent in the Foreign Currency Settlement System (*Sistema de Liquidação em Moeda Estrangeira*), managed by Caixa Geral de Depósitos, S.A., to the relevant accounts of the relevant Interbolsa Participants, and thereafter (b) transferred by such Interbolsa Participants from such relevant accounts to the accounts of the owners of Covered Bonds or through Euroclear and Clearstream, Luxembourg to the accounts with Euroclear and Clearstream, Luxembourg of the owners of 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 Euro 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 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 TARGET2 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 or common safekeeper, as the case may be, 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:

$$\text{“RP”} \times (1 + \text{AY})^y$$

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. EVENTS OF DEFAULT – 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 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 per cent. 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).

**“Book Entry Covered Bonds”** means any Covered Bonds in book entry form issued.

**“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.

“**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*).

“**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.

**“Receipholders”** 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 23 July, 2009 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.

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

**“TARGET2 System”** means the Trans-European Automated Real-time Gross Settlement Express Transfer 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 Euro 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 covered pool may also include mortgage credit that has been granted under the subsidised credit regime, pursuant to Decree Law No. 349/98 of 11 November, 1998.

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) Euro 500,000, in the case of residential Properties, or Euro 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 4 August, 2008, 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 BUSINESS OF THE GROUP

### A. History and Development of the Bank

#### Overview

Millennium bcp (the “Group”) is the largest banking group in Portugal in terms of number of branches and the second largest in terms of total assets, of loans to customers (gross, excluding off balance sheet securitisations) and customer deposits, as at 31 December 2008 (based on data from the Portuguese Banking Association). The Group is engaged in a wide range of banking products and related financial services, both in Portugal and internationally, namely demand accounts, means of payment, savings and investment, mortgage-loans, consumer credit, commercial banking, leasing, factoring, insurance, private banking and asset management, among others, and its customers are served on a segmented basis. Internationally, the Group is highly regarded in Europe and Africa by virtue of its operations in Poland, Greece, Romania, Switzerland and Turkey, and in Mozambique and Angola, and also because of its operations in the United States of America (“USA”), all of which operate under the Millennium brand.

In accordance with International Financial Reporting Standards (IFRS), the Group had at 31 March 2009 total assets of 93,085 million euros and total customers’ funds in the sum of 64,169 million euros. Loans to customers (net, excluding credit represented by securities) amounted to 72,917 million euros. The solvency ratio, calculated in accordance with Bank of Portugal rules stood at 9.9% (Tier I at 6.8%). Based on the latest available data from the Portuguese Banking Association, Banco Comercial Português, S.A. (“BCP” or the “Bank” or “Banco Comercial Português”) accounted for 21% of total assets, 26.5% of loans to customers and 24.4% of customers’ deposits in the Portuguese banking sector on 31 December 2008. In addition, on 31 March 2009, the Bank was one of the largest companies listed on Euronext Lisbon in terms of market capitalisation (2.9 billion euros).

The Bank’s registered offices are located at Praça Dom João I, 28, 4000-295 Porto, with telephone number +351 211 134 001.

#### *Bank History*

BCP was incorporated in 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, in the wake of the deregulation of the Portuguese banking system, which allowed private-capital commercial banks to be established. The Bank 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 first stage of the Group development was characterised primarily by organic growth and, until 1994, the Bank was able to increase significantly its share of the Portuguese financial services market by exploiting the market opportunities presented by deregulation. In 1994, BCP reached market share levels of 8.3% with regard to total assets, 8.7% in loans to customers and 8.6% in deposits, according to information released by the Portuguese Banking Association (Associação Portuguesa de Bancos).

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 Bank decided to acquire 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 Bank 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 takeover 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 into the Bank.

The joint takeover bid for the whole share capital of Atlântico led to further co-operation between the Bank and the José de Mello Group, which was Império’s largest shareholder, which culminated in the merger of the Bank’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% of the share capital of each of Banco Mello

and Império, respectively. Subsequently, the Bank launched public offers for the minority interests in Banco Mello and Império. In June 2000, Banco Mello was merged into the Bank.

In March 2000, the Bank reached an agreement with Caixa Geral de Depósitos (“CGD”) for the purchase of a controlling stake in Banco Pinto & SottoMayor (“SottoMayor”), held by CGD. In April 2000, the Bank 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 into the Bank.

The Bank developed a clear option for an internationalisation strategy, after the consolidation of a relevant position in the Portuguese market. From the beginning, the aim underlying the involvement in a process of internationalisation was the desire to participate in 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, USA 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 Bank has adopted in its Portuguese market – and in 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 Fortis for bancassurance in Portugal, with Eureko for bancassurance in other markets, with Banco Sabadell’s in Spain, pursuant to which the Group provides support to Banco Sabadell customers in Portugal and Banco Sabadell provides support to the Group’s customers in Spain, with F&C Investments, for the asset management activities of the Group, and the establishment of a partnership with Sonangol in Banco Millennium Angola.

In 1998, the Bank entered into a partnership agreement with the Polish financial group, BBG, pursuant to which the Bank launched a retail operation with BBG in the Polish market under the name “Millennium”. This joint venture was controlled jointly by the Bank and BBG. As part of a restructuring of BBG in 2002, the Bank and BBG decided to merge their Millennium joint venture into BBG and establish one banking operation. During the fourth quarter of 2002, the Bank increased its shareholding in BBG to 50% of its share capital. At the start of 2003, BBG changed its name to Bank Millennium. All existing BBG branches and brands were rebranded under the name “Bank Millennium”. In 2006, a further 15.51% of Bank Millennium share capital and voting rights was acquired, increasing the Bank’s participation to 65.51% of Bank Millennium’s share capital and voting rights.

In July 1999, the Bank 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% of NovaBank’s share capital, BCP wholly owns NovaBank. Following the brand change in all the Group operations in 2006, Novabank started to operate under the name of Millennium Bank.

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 Caixa Geral de Depósitos group relating to non-bancassurance insurance, and with the Belgian-Dutch group Fortis involving bancassurance business. In the former case, the agreement involved the sale of the whole of the share capital of insurers Império Bonança and Seguro Directo, and of Impergesto and Servicomericial. The agreement with Fortis involved 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 of the pension-fund manager Pensõesgera – Sociedade Gestora de Fundos de Pensões, S.A. (“Pensõesgera”). Following the approval of the relevant authorities, these operations took place in the first half of 2005. In the scope of this partnership, Fortis increased its shareholding in the Bank to 4.99% in September 2005. As a consequence of the two BCP share capital increases that took place in 2006, Fortis’s shareholding in the Bank decreased to 4.94%. In September 2007, Fortis disposed of its qualified holding in the share capital of BCP.

During 2005 and 2006, important operations 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 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 sale of shareholdings in Friends Provident, Banca Intesa, PZU and reduction of the

holding in EDP; conclusion of the sale of the 50.001% stake in Interbanco, S.A., in a transaction that had been announced on 5 August 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'Épargne – Group retained 19.9% participations in both of the French and Luxembourg operations and established co-operation agreements with the buyer for developing cross-border remittances in both markets; closing of an agreement with the 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 Pension Fund with EDP – Energias de Portugal S.A. with a view to the sale of the whole of BCP's holding in ONI SGPS S.A., corresponding to 23.062% of its share capital. These were measures of strategic scope that generated considerable capital gains and made a material contribution to the increase of the Group's own funds.

During 2005, BCP participated in the process of privatisation of Banca Comerciala Romana (“BCR”) with the aim of acquiring a controlling participation in the share capital of BCR held by the Romanian State. The rationale behind the participation in the process of privatisation of BCR was based on its potential contribution to the transformation of BCP into a multi-domestic bank operating not only in Portugal but also in European emerging countries and/or converging to European Union patterns. BCP was selected by the BCR Privatisation Commission and by the Romanian Authority for Assets Recovery (AVAS) as one of the two institutions that went through the next stage of the privatisation process (short list). However, BCP was not selected as the acquirer of BCR, as its financial offer was not the highest price offered. In October 2007, BCP launched a greenfield operation in Romania called Banca Millennium.

BCP 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”). On 29 January 2007, following the agreement with Group Banco Santander (Portugal) and BCP Pension Fund, represented by its management company PensõesGere, the Bank acquired a 10.50% shareholding in Banco BPI S.A., and considering the shares already owned by BCP and its subsidiary companies, the total participation held on that date corresponded to 12.1% of the share capital of BPI. On 16 March 2007, the final decision from the Portuguese Competition Authority of non opposition to the acquisition by BCP of BPI through the public takeover preliminarily announced on 13 March 2006, was formally notified, with the imposition of certain conditions and obligations designed to guarantee compliance with the undertakings (“remedies”) assumed by the notified party, aimed at ensuring that effective competition was to be maintained in the different markets analysed. On 5 April 2007, CMVM granted the final registration of the General Tender Offer for the acquisition of BPI. On 7 May 2007, the results of the general tender offer for the acquisition of the shares representing the share capital of Banco BPI, S.A. by BCP determined that the offer was not successful. On 31 May 2007, BCP reduced its shareholding in Banco BPI S.A. 9.8939%.

On 25 October 2007, BCP received a proposal from Banco BPI, S.A. to negotiate a possible merger of the two banks. On 30 October 2007, the Executive Board of Directors of BCP, following the Senior Board meeting held and based on the opinion issued by this corporate body on the subject, and after consulting the Supervisory Board, considered the terms of the proposal inadequate and unacceptable but also resolved to express to the Board of Directors of BPI its willingness to initiate talks for the purpose of reaching a merger agreement, as long as this process was not subject to preconditions of any nature whatsoever and that the ultimate objective would be to reach an equitable solution and create, from a strategic standpoint, a fully autonomous institution. On 25 November 2007, the talks that had started on the 6 November 2007 with BPI, with the aim of reaching a possible merger agreement between the two banks, were concluded without success. On 17 December 2008, BCP sold its shareholding in Banco BPI to a company which is wholly owned by Santoro Financial Holdings, SGPS S.A. As a result of the completion of this contract, BCP no longer holds a qualified stake in Banco BPI, S.A.

During 2007, BCP sold its shareholdings of 1.954% of Sabadell and 1.641% of EDP to BCP pension fund..

On 15 May 2008, BCP signed strategic partnership agreements with Sonangol – Sociedade Nacional de Combustíveis de Angola, Empresa Pública (“Sonangol”) and Banco Privado Atlântico S.A. (“BPA”). The group of interlinked agreements that govern this partnership include a framework agreement that foresees, notably, an indicative qualified stake of Sonangol in the share capital of BCP and, while this stake remains as such, the presentation to the shareholders of BCP of a

proposal for the appointment of a member agreed with Sonangol to be a member of the Supervisory Board and the Senior Board of BCP, as well as consultation principles that will govern the evolution of the qualified stake referred to. The partnership also contemplated the acquisition of up to 49.9% of the share capital of Banco Millennium Angola (BMA) by Sonangol and by Banco Privado Atlântico by means of a share capital increase to be subscribed in cash, which took place in February 2009. Under the terms of the agreements, Banco Millennium Angola would acquire a 10% stake in the share capital of Banco Privado Atlântico and appointed one of the members of its Board of Directors. On 23 September 2008, BCP agreed the price and the conditions under which Sonangol and BPA would take up to 29.9% and 20% stakes, respectively, in the capital of Banco Millennium Angola, as well as the price and the conditions under which Banco Millennium Angola would acquire a 10% stake in BPA. These operations were completed in February 2009 and Sonangol holds currently a 31.5% stake in the capital of BMA while BPA holds a 15.8% stake. BMA has meanwhile acquired a 10% stake in the capital of BPA.

## **B. Business Overview**

### **Nature of Operations and Principal Activities**

The Group is engaged in a wide variety of banking and related financial services activities, in Portugal and internationally. The Bank operates in foreign markets, being present in the following markets: Poland, Greece, Mozambique, Angola, Turkey, USA, Switzerland and Romania. In Portugal, the Bank's operations are primarily retail banking, but the Bank offers a complete range of additional financial services. The Bank also engages in a number of international activities and partnerships.

The Bank's banking products and services include demand accounts, means of payment, savings and investment, mortgage-loans, consumer credit, commercial banking, leasing, factoring, insurance, private banking and asset management, among others. The Bank'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 explore economies of scale.

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

### **Strategy**

The Executive Board of Directors elected at the General Meeting held on 15 January 2008 set out to strengthen the stability of the governance of Millennium bcp and to focus on the management of the Bank, defining a new Strategic Vision in February 2008. Millennium bcp aspires to be a reference bank in relation to customer service, based on innovative distribution platforms, with its growth focused on retail, as a result of which over two-thirds of capital will be allocated to retail, aimed at markets of high potential, and at achieving superior efficiency levels, reflected in a commitment to reach a benchmark cost-to-income ratio, with reinforced discipline in capital management.

The business plan of the Millennium 2010 Programme, initially launched in June 2007, was revised during February 2008. The revised Millennium 2010 Programme was based on five strategic pillars:

- I. Re-focusing on the customers, to stimulate commercial activity and to improve service levels;
- II. Strengthening pricing, risk and capital discipline;
- III. Expanding retail operations in higher potential markets;
- IV. Streamlining the Bank with a view to achieving superior efficiency levels;
- V. Strengthening the Bank's institutional reputation.

During the first half of the year, the activity of the Bank focused mainly on the stabilisation of the institution and the alignment of its shareholder base, by means of strengthening of its institutional reputation and financial condition. The latter was reinforced with the 1.3 billion euros rights issue successfully concluded in April 2008 and by several medium-term debt issues in a total amount of 2.25 billion euros.

In the second half of 2008, the profound deterioration of the international financial crisis that began in the summer of 2007 changed the market context and the banking sector environment in a significant way, conditioning the actions of the Bank and of other financial institutions, creating new challenges for management and to business models within the banking sector.

### *Strategic Agenda*

In a context of high uncertainty and deep market crisis, the Bank redefined its Strategic Agenda for the short term, implementing crisis management measures aimed at immediate results and improvements. The actions in 2008, and especially in the second half of the year, were refocused on the following strategic vectors:

- Strengthening risk management, with greater focus on liquidity and capital management;
- Implementing measures to improve profitability, namely:
  - Reinforcement and deepening of initiatives aimed at operating costs reduction and streamlining the organisation;
  - Focus of commercial action on attracting clients and balance sheet customers' funds and the re-establishment of clients' high confidence levels;
  - Strengthening of measures to sustain the operating income base;
  - Expansion of high potential retail market operations;
- Focusing the international portfolio, and considering its eventual divestment in selected operations.

### *Strengthening risk management*

With regard to liquidity and capital management, emphasis is given to the successful conclusion, in April 2008, of the 1.3 billion euros capital increase, required to strengthen the Bank's capital ratios. The rights issue was twice oversubscribed and allowed the Bank to reach a Tier I ratio of 7.1 as at 31 December 2008. Also noteworthy were the covered bond issue in May 2008 in the amount of 1 billion euros and the non-collateralised senior debt issue also concluded in May 2008, in the amount of 1.25 billion euros.

During the second half of 2008, the Bank reinforced its initiatives to improve liquidity management, through the control of the commercial gap, not only in Portugal but also in other locations, through actions aimed at capturing balance sheet customers' funds and also by the increase of the asset pool that is eligible with the European Central Bank. Eligible assets reached 5.6 billion euros at the end of 2008, compared with an amount of around one billion euros in the previous year. Among others, the securitisations of the mortgage loan portfolio and of the small and medium enterprise ("SME") loan portfolio should be noted.

In this context, mention should be made of the fact that the Bank was notified of Order 31835-A/2008 issued by the Secretary of State for the Treasury and Finances, authorising the granting of the personal guarantee of the State to fulfil principal and interest obligations within the scope of fixed-rate issues with a maturity of three years in the sum of up to 1.5 billion euros, to be undertaken under the Programme. The issue was concluded in January 2009.

In relation to the strengthening of risk management, the Bank undertook the implementation of a new credit recovery model in the third quarter of 2008. The new model is directed at increased effectiveness of this support unit, and should produce positive effects in 2009.

From September until the end of 2008, the developments that strongly affected some international financial institutions, on the one hand, and foreign exchange volatility that affected, the euro and some other currencies of the markets where the Group operates (Poland, Turkey and Romania, among others) on the other hand, led to the swift adoption of measures that allowed the minimisation of the adverse impacts of the Group's exposure to such risks.

At the end of 2008, the Bank announced the sale of 87,214,836 shares in Banco BPI, S.A., representing 9.69% of its equity capital, to Santoro Financial Holdings, SGPS, S.A., a company incorporated under Portuguese law. As a result of the execution of this contract, BCP no longer has a qualified holding in Banco BPI, S.A.

### *Implementing measures to improve profitability*

It is important to highlight the initiatives to streamline the organisation and those that have allowed the reinforcement of its commercial efforts and the branch network expansion along with

the reduction of the total number of employees. The reorganisation of the Bank's structures allowed for the transfer in 2008 of 244 employees from central areas to the commercial networks. The Bank concluded the 3rd and 4th editions of the Commercial Skills Development Programme in 2008 that has benefited 383 employees since its launch in 2007. In December 2008, it launched the 5th edition of this programme and also the Management Staff Programme, designed to promote mobility and professional improvement of managers.

With regards to cost reduction, the main highlight was the strong containment of other administrative costs in Portugal, which fell by 7.4% in 2008 as against the previous year, as well as the reduction in personnel costs of 1.5%, excluding specific items, despite the increase of pension costs and the opening of 33 new branches. In a year of strong pressure on the operating income base, this effort resulted in the reduction by 3.8% of total operating costs in Portugal, excluding specific items, and was reflected in the improvement of the cost to income ratio from 57.3% in 2007 to 53.7% in 2008.

No less important than the cost control efforts in an especially challenging year for the banking sector's image, was the Bank's reinforcement of its commercial activities with initiatives aimed at attracting clients and balance sheet customers' funds. The confidence of clients in the Bank, in its financial strength and management ability, in its distinctive market position and the recognition of its quality of service were reinforced and acknowledged. The Bank was able to attract 174 thousand new retail clients in Portugal and increase balance sheet customers' funds by 10% in its Portuguese activities in 2008.

Faced with business volume pressure via a demand reduction, higher liquidity constraints, a strong increase of funding costs, competitive pressure and deterioration of credit risk, the Bank strengthened the measures to ensure the operating income base, especially net interest income and commissions. These were reflected in repricing actions according to the increase of the funding and risk costs.

Despite the constraints, the Bank managed to ensure growth in loan volume in Portugal, while keeping the commercial gap under control. It should be mentioned that the Bank reached a 19.2% market share in new production of mortgage loans and increased loans to companies by 8.2% in Portugal. Above all, the increase in satisfaction levels at the end of 2008 to a maximum for the last three years should be highlighted.

Millennium Meetings were held in the major Portuguese cities within the scope of the strategy directed at creating greater commercial and institutional dynamism at BCP. Also, the Bank's Executive Board of Directors decided to propose to investors a settlement of the disputes arising from subscription to the BCP capital increases paid up in cash during 2000 and 2001, under a mediation procedure organised by the Securities Market Commission ("CMVM"). The proposal was addressed to investors who lodged complaints with the Bank, the BCP Ombudsman, the Bank of Portugal or the CMVM, or who brought legal proceedings against BCP or were counterclaimants in legal actions brought by BCP, provided that, cumulatively, they met a number of conditions that were disclosed publicly.

It is also important to refer to the accomplishment of an expansion in high potential operations, as shown by the net increase of 33 branches in Portugal and 142 branches in international operations, namely in Poland, Mozambique, Angola and Romania. Following the implementation of the expansion plan, Bank Millennium is now the 4th largest branch network operating in Poland, with increased public awareness levels and an expansion of its market share in the deposits of private individuals to more than 7%. The Bank was able to attract more than 186 thousand clients and reached the historic mark of more than one million active customers. In Mozambique, the Bank reached the threshold of 100 branches and 500 thousand clients. It reinforced its leading position in the market and reached significant profitability levels, despite the expansion plan.

#### *Focus on the international portfolio*

The third strategic vector was the focus on its international portfolio, and the Bank soon announced that it would look at assessing the ability of each operation to add value, to consolidate the current portfolio and to preserve its growth potential, and would consider the eventual divestment of the portfolio in selected operations.

The worsening of the international financial crisis brought about the full implementation of this aspect, and the concerted redefinition of the international portfolio has begun. Meanwhile, the process to assess the different options was initiated with the support of external consultants.

In 2008, following the strategic partnership agreement established in December 2007, agreements were signed in Angola by BCP, Sonangol and Banco Privado Atlântico, S.A. (“BPA”), strengthening Banco Millennium Angola’s business and expansion capacity. The agreement calls, in particular, for Sonangol to acquire a reference holding in BCP’s capital. The parties agreed upon the acquisition of up to 49.9% of the shares in Banco Millennium Angola by Sonangol and by BPA, through a capital increase to be paid up in cash. The agreement also envisages the acquisition of a 10% stake by Millennium Angola in BPA. In September 2008, the transaction prices and conditions were agreed upon. These operations were completed in February 2009 and Sonangol currently holds a 31.5% stake in the capital of BMA while BPA holds a 15.8% stake. BMA has meanwhile acquired a 10% stake in the capital of BPA.

#### *Priorities for 2009*

The banking sector and the Group face an uncertain outlook regarding the future and are under pressure from multiple external variables, namely from: world economic growth and growth in the countries where it operates; interest rates and asset prices pressures; overall uncertainty in the light of the high losses reported by international financial institutions and shortness of capital and liquidity. Millennium bcp considers that, after a period of stabilisation of the Bank, new priorities should be set for 2009, considering that the Millennium 2010 Programme was devised in market conditions that were entirely different from the current reality.

The new priorities of the Group for 2009 are based on three fundamental pillars: Soundness and Trust; Commitment and Performance; and Sustainability and Value. These priorities establish six priority action vectors that aim to “Reinforce the Commitment, Towards the Future”.

The six action priorities included in the Programme “*Towards the Future*” envisage a set of initiatives that are summarised as follows:

#### *1. Proactive and rigorous risk management*

Risk management is seen as a fundamental priority of the Bank, to be reinforced with the following initiatives:

- Deepening of risk identification, assessment and management processes;
- Raising sustainability and risk mitigation of the Pension Fund, regarding both liabilities and assets;
- Enhancement of processes for preventive identification of impairment warning signals;
- New credit recovery models, for retail and large clients/large risks;
- Increasing automation of client risk assessment and credit decision making; and
- Reinforcement of both internal and external risk reporting.

#### *2. Integrated and prudent liquidity and capital management*

Considering the increase in liquidity risk in the past year and a half, the necessary prudence in capital management, and bearing in mind that the Bank of Portugal has issued a recommendation for a minimum 8% Tier I ratio, the Bank decided that it should reinforce its initiatives in this area:

- Integrated planning and control of capital and liquidity, and implementation of a return/risk based management;
- Development of Treasury strategic management, in co-ordination with business areas;
- Diversification of the funding structure, as well as the alternative contingency financing instruments;
- Transition to IRB methodologies (Basel II);
- Development of the economic capital evaluation and allocation process (Pillar II – ICAP); and
- Optimisation of risk weighted assets (RWAs), namely through the divestment of non-strategic assets and reinforcement of adequate collaterals.

#### *3. Deepen the commitment to clients and maximisation of balance sheet customers’ funds and value*

To deepen the commitment to clients, the following initiatives are highlighted:

- Programmes to promote higher proximity to the client base in all operations;
- Acquisition plan for balance sheet customers’ funds across different segments, and particularly in retail, in all geographical locations;



- More rigorous management of leakage/commercial exemptions, including commissions, across all networks;
- Consistent pricing adjustments in order to reflect the credit and liquidity risk (risk-based pricing); and
- Client acquisition programmes in all countries.

#### 4. *Acceleration of cost reduction and organisational streamlining*

The Bank aims to develop and deepen the efforts of cost cutting, namely through a transverse personnel cost-reduction programme, continuous administrative cost-cutting efforts in Portugal and significant cost-reduction in all operations through the adjustment of structure to business volume, in the new market context.

With regard to organisational streamlining and process optimisation, the Bank could launch new initiatives for the delayering and merger of support areas in Portugal and to simplify the operational model in all European platforms, namely through centralisation of support functions and further integration of back offices.

#### 5. *Adjustment of business models and materialisation of growth opportunities*

In Portugal, several adjustments will be made to the business model and strategy of Private Banking in the light of the new business opportunities, as well as a review of the business and organisational model for Corporate and Investment Banking. In direct banking, the Bank could launch innovative distribution models oriented to clients' new habits and needs. In international operations, the Bank will carry out the implementation of the expansion plan in Angola, based on the partnership with Sonangol/BPA. It will also launch initiatives for net interest income optimisation and client acquisition in African operations. The Bank will review its growth strategy in Europe, focusing on individuals and SMEs, leveraging on the brand and the branch network as a distribution platform.

#### 6. *Talent management and employees' mobilisation*

The reinforcement of commitment to employees implies the launch and strengthening of initiatives oriented towards performance, accountability and professional improvement:

- Reinforcement of talent management programmes;
- Implementation of a new incentive scheme in commercial areas;
- Implementation of the new performance review process, oriented towards a higher accountability of employees;
- Rollout of professional development projects, such as Master in Retail or Financial Risk Manager; and
- Increased involvement and intense communication at all organisational levels.

In line with priorities for 2009, the key principles of the Bank's strategy over the long term emerge: Commitment to clients, Effective risk management, Simplicity and efficiency, Diversified international presence and Focus on capabilities.

#### *Business Model*

Some of the back office operations are provided by the subsidiary Millennium bcp Prestação de Serviços A.C.E. (former Servibanca), which plans, monitors and controls costs and service levels associated with the Group activities and carries out several operating and technological services and represents its associates in dealings with third parties, namely in the areas of IT, operations, administrative, premises and procurement. In 2005, 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 co-ordination was restructured as at 1 July 2009, now comprising six units. There are four business areas – Retail Banking and Companies, Corporate and Investment Banking, Private Banking and Asset Management, and European Business; and two Service Units – the Banking Services and the Corporate Areas. The global co-ordination of operations in Africa and in America is held directly by the Members of the Executive Board of Directors of BCP responsible for those operations, because the specificities of the markets in which the operations are developed justify individual treatment and consequently would not benefit from their integration in Co-ordination Committees.

Currently the Bank reports its business segment activity based on the following segments: Retail, Corporate and Companies, Investment Banking, Private Banking and Asset Management, and Foreign Business.

The strategic approach of Retail Banking in Portugal is to target “mass market” customers, who appreciate a good value proposition based on innovation and speed, and “prestige” and “business” customers, who as a result of their specific interests, financial assets or income require a good value proposition based on innovation but also personalisation and a dedicated Account Manager. Retail Banking comprises also ActivoBank7, a universal online Bank, which maintains a focus on brokerage and on the selection and counselling of investment products. Within the scope of the Group’s cross-selling strategy, Retail Banking acts as a distribution channel for financial products and services of BCP as a whole.

The Corporate and Companies segment includes 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, and 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 also the International Division.

The Investment Banking business is undertaken essentially by Millennium investment banking, which develops activities in capital markets, in providing strategic and financial advisory services, specialised financial services – project finance, corporate finance, securities brokerage and equity research – and in structuring risk-hedging derivatives products.

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, and the subsidiaries companies specialising in the asset management business.

The Foreign Business comprises the several operations carried on outside Portugal, namely in Poland, Greece, Turkey, Romania, Mozambique, Angola and the United States. In Poland, the Group is represented by a universal bank, and in Greece by a retail bank based on the innovation of products and services. The banking activity in Turkey is performed through an operation focused on the provision of financial advice, and in Romania it is represented by a greenfield operation, which started its activity in 2007, focusing on the following segments: mass market and business, companies and affluent. All these operations develop their activities under the same commercial brand “Millennium”. The Group is represented: in Mozambique by Millennium bim, a universal bank targeting both companies and individual customers in Angola by Millennium Angola, a bank focused on individual customers and public and private sector companies and institutions; and in the United States of America by Millennium bcpbank, a local bank that serves the local population, namely the Portuguese speaking community.

As at 31 March 2009, the business in Portugal accounts for 79% of total assets, 80% of total customers’ funds, 80% of loans and advances to customers and 95% of net income, excluding specific items. The new operations are making a significant contribution as a result of strategic options, taken at opportune moments, to diversify sources of income. International operations already account for 52.3% of the Group’s 22,225 employees and 49.1% of the total of 1,803 branches.

## **Other Financial Services in Portugal**

### **Mortgage Lending**

The Bank 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% owned by the Group, with the remaining 30.1% being owned by Banca Intesa. BII previously distributed its mortgage products through the Bank’s marketing and distribution networks, as well as through its own retail outlets. On 21 September 2005, the Bank reached an agreement with Banca Intesa for the unwinding of the joint venture arrangements regarding BII. In October 2005, the Bank acquired 30.1% of the capital of BII owned by Intesa, becoming the sole shareholder of BII. Currently, BII is running a book of outstanding mortgage credit originating from mid 2007, which will progressively be reduced over time. BCP runs the Portuguese mortgage business directly.

## **Online banking**

ActivoBank7 was launched within the scope of the joint initiative entered into by the Group and Banco Sabadell to launch a banking operation across the Iberian Peninsula in a multichannel approach, taking advantage of the experience and knowledge of the respective domestic markets accumulated by the two institutions involved. Group had a large amount of experience accumulated during the seven years of its direct banking operation Banco 7 (launched in 1994), which has achieved leadership in innovation in direct channels on the Portuguese market.

In 2002, ActivoBank7 became 100% owned by Group, continuing to strive towards consolidation as the first Portuguese bank in the market specialising in offering investment solutions to the private sector through the internet. Keeping an open-architecture framework, this bank offers the best financial products from the most prestigious national and international investment houses.

ActivoBank7's best value proposal is based on careful and rigorous selection of the best investment products provided by renowned international management companies and on the recommendation of investment solutions in keeping with the specific risk profile of each customer.

The launch of innovative value-added products to customers and the continuous attention to quality, designed in order to aim towards a service of excellence, constitute the fundamental pillars of its business.

ActivoBank7 employs a multichannel distribution model centred, in the first instance, on the internet, complemented by modern telephone platforms – Contact Centres – and personalised attendance facilities – Activo Centres – which are located in two main Portuguese cities, Lisbon and Oporto.

## **Insurance**

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

## ***Foreign Business***

In recent years, the Group has pursued a strategy focused on international expansion. The Group has concentrated on those businesses with strong growth prospects in foreign markets with a close historical connection to Portugal or that have large communities of Portuguese origin (such as Angola, Mozambique and the United States of America), as well as in markets where our successful Portuguese business model can be effectively exported and tailored to suit local markets (such as Poland, Greece, Turkey and Romania).

### ***Poland***

In Poland, the Group operates through Bank Millennium, S.A. Bank Millennium is a universal bank directed at individuals and small and medium-sized companies. Bank Millennium offers a complete range of financial products and services, including deposit-taking, savings and investment products, short-, medium and long-term lending (including mortgage lending and consumer credit), debit and credit cards, fund transfers and other payment methods, mutual funds, insurance, leasing, treasury services and money market transactions.

In 1998, the Group entered into a partnership agreement with the Polish financial group, BBG, pursuant to which the Group launched a retail operation with BBG in the Polish market under the name "Millennium". This joint venture was controlled jointly by the Group and BBG. As part of a restructuring of BBG in 2002, the Group and BBG decided to merge the Millennium joint venture into BBG and establish one banking operation. During the fourth quarter of 2002, the Group increased its shareholding in BBG to 50 % of BBG's share capital. At the start of 2003, BBG changed its name to Bank Millennium. In December 2006, we acquired 131,701,722 Bank Millennium shares corresponding to 15.51% of its share capital and voting rights, at the price of PLN 7.30 per share, thus increasing the Bank's holding in Bank Millennium S.A. to 65.51% of its share capital and voting rights.

Leveraged by a renewed network of more than 490 retail branches – including the larger multi-segment outlets – Bank Millennium is one of the operators in the Polish market that has returned greatest growth, underpinned by an efficient sales industrialisation platform and by growing awareness of the Millennium brand.

The year 2008 was a year of great importance in the life of Bank Millennium, in that it marked the tenth anniversary of the launch of the Millennium network. Bank Millennium is now Poland's fourth largest banking network, with a staff of more than 7,000 employees, more than one million customers and a quality and competitiveness constantly recognised by customers, investors and the media alike.

As at 31 December 2008, Bank Millennium had total assets of 11,316 million euros, 8,321 million euros in customers' funds (including discretionary management), 8,300 million euros in loans to customers (gross) and it was operating with 490 branches and 7,049 employees. Bank Millennium's profits in 2008 were affected by the sharp reduction of the investment fund portfolio, causing a significant decline in commissions, and by a larger amount of impairment provisions in the companies' portfolio, partly related to an adjustment in forex derivatives valuations related to credit risks of corporate customers. On the other hand, the decision not to grant more mortgage loans in foreign currency also had a negative impact on the results for the last quarter. Despite these factors caused by current conditions, Bank Millennium achieved a net income in the sum of 117.9 millions euros, 3.2% below the profit for 2007.

During the fourth quarter of 2008 market conditions were dramatically altered and, as the domestic and international financing markets practically shut down, the cost of funding increased significantly, while the zloty depreciated considerably against other currencies. Taking these changes into account, the Bank's activities during the year of 2009 will be guided by four priorities: reinforcing of the branch-based banking in retail, focus on SME relationships, achieving higher efficiency and tight cost management and enforcing more conservative risk management principles. The bank will pursue cost savings to be achieved in 2009 and 2010, both in administrative costs and also, by streamlining of the organisational structure, in personnel costs. Bank Millennium will also maintain more restrictive capital and liquidity management and loan growth to deposit growth ratios. It will also enforce more conservative credit risk assessment policies, limit large exposures and improve collaterals. A necessary step will also be the adjustment of prices to the level of risk and borrowing costs and tight control of all market risks.

#### *Greece*

Millennium Bank in Greece is focused on retail banking and on further developing its private banking, corporate and companies businesses. In July 1999, the Bank and Interamerican Hellenic Life Insurance Company S.A., one of the largest Greek life insurers and a wholly owned subsidiary of Eureka, launched a joint greenfield retail banking operation in the Greek market, NovaBank. Following the April 2005 acquisition of the remaining 50% of NovaBank's share capital and controlling rights, the Bank wholly-owns NovaBank. The brand "Millennium" was adopted in 2006.

Since its creation, Millennium Bank has implemented an ambitious development plan focused on fast organic growth and, at the same time, growth in income and value creation. Millennium Bank's strategy is based on developing innovative products and services and providing excellent quality of service, together with a specialised approach to business customers.

Millennium Bank's priorities in 2008 consisted of acquiring new customers and increasing customer deposits. The Bank launched several campaigns for the purpose and maintained a considerable presence in the media. The focus on savings was also supported by the launch of several high-yield deposits.

As at the end of 2008, Millennium Bank had total assets of 6,104 million euros, 3,558 million euros in customers' funds (including the effect of the transference of customers' funds to Switzerland), 4,848 million euros in loans to customers (gross), and was operating with 178 branches and 1,554 employees. Net income in 2008 amounted to 15.1 million euros, a 31.4% reduction compared to the figure for 31 December 2007. This essentially reflected the Bank's efforts to reduce the liquidity gap, impacting on net interest income as a result of the slowdown of credit extended and of the sharp growth in the cost of deposits. The slowdown of growth in loans to customers was also reflected in the reduction of credit-related commissions.

#### *Mozambique*

The Group has had banking operations in Mozambique since 1995. Banco Internacional de Moçambique ("Millennium bim") is Mozambique's largest bank. In 2008, the Group continued its expansion plan of the retail branch network which had begun in 2007, having achieved the historic mark of 100 branches and over half a million customers.

As at 31 December 2008, Millennium bim had 1,042 million euros in total assets, 804 million euros in customers' funds, 506 million euros in loans to customers (gross), and was operating with 100 branches and 1,762 employees. Net income of Millennium bim in Mozambique increased by 24.6% to 51.5 million euros in 2008, compared with 41.4 million euros in 2007, driven by the performance of net interest income, determined essentially by the growth in business volumes, in net commissions and in profits on foreign exchange transactions, as well as by smaller provision charges. The 11% increase in operating costs was essentially determined by the rise in staff costs caused by the increase of employee numbers in 2008 due to the enlargement of the branch network.

### *Angola*

Banco Millennium Angola, SA ("BMA") was incorporated on 3 April 2006, as a result of the transformation of the BCP branch into a bank incorporated under the laws of Angola. In 2008, Banco Millennium Angola strengthened its goal of contributing to the modernisation and development of the Angolan financial system by marketing innovative, personalised financial products and services conceived to satisfy all the financial needs and expectations of the various market segments in keeping with the highest quality and specialisation standards.

In February 2009, the financial transactions relating to the strategic agreement established with Sonangol – Sociedade Nacional de Combustíveis de Angola, Empresa Pública ("Sonangol") and Banco Privado Atlântico S.A. ("BPA") BCP, were completed, through a rights issue carried out by Banco Millennium Angola, SA ("BMA"), in the amount of 105,752,496.80 USD. Presently, Sonangol holds a 31.5% stake in the capital of BMA and BPA holds a 15.8% stake. BMA has meanwhile acquired a 10% stake in the capital of BPA. Following this capital increase, Banco Millennium Angola will be in a position to carry out its business plan, with plans to invest more than 200 million USD over the next three years to expand the retail branch network and create more than 1,000 jobs in Angola.

At the end of December 2008, Banco Millennium Angola had total assets in the sum of 459.3 million euros, an increase of 102.2% over the 2007 figure. Loans to customers and customers' funds performed very well during the year, mirrored in increases of 84.1% and 86.0% respectively, compared to the previous year. Customers' funds reached 279 million euros, while loans to customers (gross) reached 219 million euros. The cost-to-income ratio stood at 71.6%, higher than the 2007 figure as a result of the impact of the costs associated with the Bank's expansion project. Net income decreased 13.8% compared to the 2007 figures, standing at 4.4 million euros. This reduction was essentially the result of the investments and costs associated with the expansion of the branch network and with the investment made during the year in IT systems, implementation of new projects and employees' recruitment.

### *Romania*

Banca Millennium started its business activity in October 2007. As at 31 December 2008, Banca Millennium had 65 branches and 691 employees. The Bank's structure comprises three main business areas: Commercial Banking, Retail banking focused on Prestige and Business banking, and consumer finance, while it also has a small Private Banking operation. The Bank believes Romania offers significant potential for growth.

The Bank has opened 25 new branches in 2008, raising the total number of branches to 65. The branches network at 31 December 2008 already covers the main population centres and the country's main centres of commercial and industrial activity. It is divided into 19 financial centres serving customers' global needs, including those of the "Affluent" and "Companies" segments, 45 credit centres specially aimed at the "Mass market" segment and one private banking branch located in Bucharest.

As at 31 December 2008, Banca Millennium has 312 million euros in total assets, 105 million euros in customers' funds, 236 million euros in loans to customers (gross), and was operating with 65 branches and 691 employees. The Bank closed 2008 with a net loss of 34.9 million euros, which compares favourably with the budget, as a result of the implementation of a strict cost management policy, adjusting the pace of cost growth to the real growth of the commercial network and to the dimension of business variables.

In the first days of January 2009, the Bank carried out a capital increase, which was entirely subscribed by entities which are 100% held by the Group, with global proceeds equivalent to

67 million euros. The issue of shares aims to provide the Bank with the necessary means to achieve its activity growth goals, keeping adequate capital levels.

#### *Turkey*

In order to leverage its operational capabilities and its geographic position, in 2002, the Group 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 to BankEuropa in 2003 and adopted the Millennium brand in 2006. Millennium Bank (previously BankEuropa) was the first Turkish bank to be conceived exclusively for the high net worth customer segment. Millennium Bank in Turkey offers customers dedicated relationship managers and provides a wide range of products and services.

As at 31 December 2008, Millennium Bank in Turkey had 550 million euros in total assets, 461 million euros in customers' funds, 412 million euros in loans to customers (gross), and was operating with 18 branches and 320 employees. Millennium Bank in Turkey reported in 2008 a net profit above the 2007 level and above the break-even level. This resulted from the performance of both operating income namely trading results, that more than compensated for the decline in net interest income associated with the large increase in deposit costs and the significant decrease in the securities portfolio, and the gain realised upon the sale of the head office.

#### *United States of America*

Millennium bcpbank is a commercial bank incorporated in October 2000. Its approach is that of a community bank providing personalised services on a par with products and services for the general public, its main aim being to serve Portuguese-speaking communities and Greek ethnic groups. It is headquartered in New Jersey. Deposits at the Bank are covered by the Guarantee Fund in accordance with the rules and regulations of the Federal Deposit Insurance Corporation ("FDIC"). The Bank is governed by the Office of the Comptroller of the Currency ("OCC") and by the FDIC.

During 2008, Millennium bcpbank continued to pursue its strategic goal of becoming the first-choice bank of its target market, in the context of a particularly adverse environment. Strategic priorities were centred on strengthening internal control functions and on liquidity management, while efforts were made to preserve net interest income and to improve the quality of the Bank's credit.

As at 31 December 2008, Millennium bcpbank had 566 million euros in total assets, 478 million euros in customers' funds, 468 million euros in loans to customers (gross), and was operating with 18 branches and 235 employees. Performance in 2008 was strongly influenced by the conditions of the market. Millennium bcpbank returned a net loss of 6.1 million euros in 2008, which resulted from the increase in credit impairment charges and from the reversal of deferred taxes previously recognised in the balance sheet, to the extent that income stabilised, notwithstanding the reduction of operating costs.

#### **International Partnerships**

Since 1991, the Group has also developed an internationalisation strategy based on establishing co-operation agreements with foreign partners. The Group's current foreign partners are Banco Sabadell, Eureko, Sonangol and Banco Privado Atlântico. Some of these partnerships involve, among other things, joint ventures, cross-shareholdings and reciprocal board representation.

#### **Banco Sabadell**

In March 2000, the Group 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 BCP and to Banco Sabadell, notably in corporate loans and in innovating services for individuals. As a result of the agreement, 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 Bank sold its 2.75% shareholding of Banco Sabadell to BCP Pension Fund. Banco Sabadell holds 4.4% of the share capital of the Bank.

#### **Eureko**

In 1991, the Group established strategic partnerships with two significant European insurance groups, Friends Provident and AVCB Avero Centraal Beheer. In 1992, Eureko was established as a

pan-European insurance group, as a result of the association between the insurance groups Friends Provident, from the United Kingdom; AVCB Avero Central Beheer, from the Netherlands; Wasa, from Sweden; and the Danish financial group Topdanmark. In 1993, the Group, through its insurance holding Seguros e Pensões Gere, became the fifth partner of this pan-European strategic insurance alliance. The Group currently holds 2.79% of the share capital of Eureka, while the holding of Eureka Group in BCP is currently 2.52% of the share capital and of the inherent voting rights, held by Eureka B.V., following the sale during 2009 of a 4.55% holding in BCP's share capital. Also, the Total Return Swap entered into by Eureka B.V. with JPMorgan Chase Bank NA on 5 September 2007 was fully unwound and therefore the voting rights attached to the previous additional 2.88% stake in BCP should no longer be attributed to Eureka B.V. Through its asset management subsidiary F&C, Eureka established an exclusive distribution agreement of its asset management products through the Millennium bcp banking network in Portugal.

#### **Fortis**

In 2005, the Group and Fortis established a joint venture for bancassurance business, through the insurance company Millennium bcp Fortis. The Group holds 49% of Millennium bcp Fortis's share capital, while the remaining 51% is held by Fortis. In September 2005, Fortis increased its shareholding in the Bank to 4.99%. As a consequence of the two BCP share capital increases that took place in 2006, Fortis's shareholding in the Bank decreased to 4.94%. In September 2007, Fortis disposed of its qualifying holding in the share capital of BCP.

#### **Sonangol and Banco Privado Atlântico**

Sonangol and BPA – Banco Privado Atlântico acquired 47.3% of Banco Millennium Angola's ("BMA") share capital through a capital increase, subscribed by the acquirers, in cash. BMA acquired 10% of the share capital of Banco Privado Atlântico. According to the terms of the agreement, BMA continues to be a subsidiary company of BCP but should benefit from having important minority shareholders, with the corresponding shareholder influence and co-operation potential. Sonangol has acquired a 4.98% shareholding in BCP in 2007 and held 9.99% of the Bank on 31 December 2008.

#### *Significant Developments in 2008*

The following are among the most significant business developments of the Group 2008:

On 9 January 2008, Fitch Ratings confirmed the ratings on BCP and its investment banking subsidiary, Banco Millennium bcp investimento, of Long-term Issuer Default (IDR) "A+" with "Stable" "Outlook", Short-term IDR "F1". The ratings of BCP's EMTN programme are also affirmed at Senior debt "A+" and "F1" and Subordinated debt "A", its Commercial Paper programmes at "F1" and preference share issues at "A".

On 15 January 2008, BCP concluded the General Meeting of Shareholders with 71.21% of the share capital represented. The proposals relating to points 6 and 7, and proposal number 1 relating to point 5 of the agenda, were removed by the respective proponents. The proposal regarding the election of the General Meeting's Officers was approved, with the following composition:

Chairman: António Manuel da Rocha e Menezes Cordeiro;  
Vice-Chairman: Manuel António de Castro Portugal Carneiro da Frada.

Regarding the election of an Executive Board of Directors for the three-year period from 2008 to 2010, the list in Proposal 1 with the following composition was approved:

Chairman: Carlos Jorge Ramalho dos Santos Ferreira;  
Vice-Chairmen: Armando António Martins Vara;  
Paulo José de Ribeiro Moita de Macedo;  
Members: Luís Maria França de Castro Pereira Coutinho;  
Nelson Ricardo Bessa Machado;  
Vítor Manuel Lopes Fernandes;  
José João Guilherme.

The proposal regarding the election of the Remuneration and Pension Council for the three-year period from 2008 to 2010 was not approved.

It was decided not to elect the new External Chartered Accountant and consequently, that the Supervisory Board should present a proposal at the next Ordinary General Annual Shareholders

Meeting, retaining the current External Chartered Accountant in post, namely KPMG & Associados, SROC, S.A. (SROC nr. 189) represented by Vítor Manuel da Cunha Ribeirinho (ROC nr. 1081) and as alternate Accountant, Ana Cristina Soares Valente Dourado (ROC nr. 1011).

Proposal 2 for filling of vacancies for effective and alternate members of the Supervisory Board arising from the end of the three-year term from 2006-2008 was approved with the election of the following members:

Effective Members: António Luís Guerra Nunes Mexia; Manuel Domingos Vicente;

Alternate Member: Angelo Ludgero da Silva Marques.

The designation of the following three members to the Senior Board for the current mandate, which is for the period from 2005 to 2008 was ratified: Luís Manuel de Faria Neiva dos Santos; Manuel Domingos Vicente; Maarten W. Dijkshoorn.

On 29 January 2008, the Executive Board of Directors of BCP implemented changes in the Co-ordination Committees and Specialised Commissions that report to the Executive Board of Directors. The following Co-ordination Committees were maintained: Retail Co-ordination Committee; Private Banking and Asset Management Co-ordination Committee; Banking Services Co-ordination Committee. The changes introduced were the following: the new Corporate and Companies Co-ordination Committee is substituted for the two committees that previously were responsible for these segments (Corporate and Investment Banking Committee and Companies Committee); the responsibility for Investment Banking will not integrate the Co-ordination Committees, as it has a specific governance model; the European Businesses Co-ordination Committee replaces the previous Foreign Businesses Committee; the global co-ordination of operations in Africa and in America is held directly by the Members of the Executive Board of Directors of BCP responsible for those operations, because the specificities of the markets in which the operations are developed justify individual treatment and consequently would not benefit from their integration in Co-ordination Committees. Rationalisation and adjustments to the Specialised Commissions and Committees that report to the Executive Board of Directors were also made: The Training and Professional Development Commission, the Social Responsibility Commission and the Social Relations Sub-Commission cease to exist, with those responsibilities being taken by the Executive Board of Directors; the Grants and Donations Sub-Commission ceases to exist, with that responsibility being taken by the Communication Department/General Secretariat; the Audit, Security and AML Commission ceases to exist, and that responsibility will be taken by other structures, within the scope of the new Risk Management and Control Principles; Change of the Risk Commission and respective Sub-Commissions, in the scope of the new Risk Management and Control Principle; Transformation of the Pension Funds Monitoring Sub-Commission into a Commission; Creation of the Capital, Assets and Liabilities Management Committee (CALCO).

On 13 February 2008, the Executive Board of Directors of BCP approved the accounts for the year ending 31 December 2007, which were presented to the Supervisory Board on 18 February 2008 and presented to the public on 19 February 2008. For prudential reasons, the accounts approved by the Executive Board of Directors took into consideration and appropriately accounted for all the possible impacts identified in the processes under way with the Supervisory Authorities, for both 2007 and previous years. There is, however, no recognition of any infraction, given that BCP has yet to be heard in these processes and no formal accusation has been made against BCP.

On 18 and 19 February 2008, in order to reinforce capital levels and finance current organic expansion plans both in Portugal and internationally, the Executive Board of Directors of BCP proposed to the Supervisory Board and to the Senior Board a 1.3 billion euros rights issue reserved for Shareholders. This proposal has received the agreement of both Boards and the rights issue has been fully underwritten by Merrill Lynch and Morgan Stanley. The Executive Board of Directors approved a proposal for the appropriation of profits to be submitted to the General Meeting of Shareholders, which took place on 27 May 2008. The proposal provided that no additional dividend would be paid besides the interim dividend paid on 29 November 2007 and for the transfer to reserves from the retained earnings account, with the goal of creating improved conditions for future distributions.

Following the redefinition of the strategic agenda, the Bank established, in February 2008, a new strategic Vision and priorities for the period 2008 to 2010, as described above.

On 20 February 2008, Standard & Poor's affirmed the current rating of "A/A-1" long-term and short-term and the "outlook" of "negative" on BCP.



On 3 April 2008, the Executive Board of Directors approved the terms and conditions of the rights issue, which had been originally announced on 19 February 2008. The transaction was also approved by BCP's Supervisory Board and Senior Board. BCP undertook the rights issue in order to strengthen its capital position and to enable it to achieve its strategic goals and a leadership position in several key business areas through organic growth. The Bank expected to issue 1,083,270,433 new shares for an aggregate subscription amount of 1,299,924,520 euros as part of the rights offering. The new shares were available for subscription to existing shareholders through the exercise of their preference rights.

On 24 April 2008, the Bank issued 1 billion euro with a two-year maturity and a fixed interest rate equivalent to the swap rate plus 0.4%, under the Covered Bond Programme of the Bank, established in 2007. This programme, among other investments, is part of the normal financing structure of the Bank's current activity.

On 28 April 2008, the rights offering co-ordinator, Banco Millennium bcp Investimento S.A. announced that BCP's share capital increase was fully subscribed, involving the issue of 1,083,270,433 ordinary, dematerialised nominative shares each of a par value of 1 euro, which were offered for subscription at the price of 1.2 euros by the Bank's shareholders in the exercise of their preference rights. Following this issue, the Bank increased its share capital from 3,611,329,567 euros to 4,694,600,000 euros.

On 29 April 2008, Standard & Poor's revised the "outlook" on BCP from "negative" to "stable". The long- and short-term "A/A-1" ratings of BCP were reaffirmed.

On 15 May 2008 the BCP signed a strategic partnership agreement with Sonangol - Sociedade Nacional de Combustíveis de Angola, Empresa Pública ("Sonangol") and Banco Privado Atlântico S.A. ("BPA"). The group of interlinked agreements that govern this partnership include a framework agreement that envisages, notably, an indicative qualifying stake of Sonangol in the share capital of BCP and, while this stake remains as such, the presentation to the shareholders of BCP of a proposal for the appointment of a member agreed with Sonangol to be part of the Supervisory Board of BCP, as well as consultation principles that will govern the evolution of the referred qualified stake. The partnership also contemplates the acquisition of 49.9% of the share capital of Banco Millennium Angola ("BMA") by Sonangol and by Banco Privado Atlântico by means of a share capital increase to be subscribed in cash. Under the terms of the agreements, Banco Millennium Angola should also acquire a 10% stake in the share capital of Banco Privado Atlântico and appoint one of the members of its Board of Directors.

On 20 May 2008, Standard & Poor's confirmed BCP's credit risk ratings.

On 27 May 2008, BCP concluded its Annual General Meeting of Shareholders with 65.97% of the share capital represented, and with the following deliberations:

Item One – Approval of the annual report, balance sheet and financial statements of 2007;  
Item Two – Approval of the consolidated balance sheet and financial statements of 2007;  
Item Three – Approval of the proposal of application of profits amounting to 338,844,043.33 euros, deducted from 133,619,193.93 euros, corresponding to the early appropriation of profits mentioned above:

33,884,404.34 euros for reinforcement of the legal reserve;

171,340,445.06 euros for retained earnings.

And the following balances be transferred to a unique account of "Retained Earnings": "Share Premiums" amounting to 881,706,964.27 euros; "Free Reserves" amounting to 1,176,853,816.75 euros; "Statutory Reserves" amounting to 84,000,000.00 euros; and "Legal Reserves" amounting to 130,795,138.32 euros.

Item Four – Approval of the votes of confidence in relation to the Management and Supervisory bodies and to each one of its members, and to the Single Auditor;

Item Five – The shareholders were informed about the policy concerning the remuneration granted to the Executive Board of Directors, approved by the Remunerations and Welfare Board (Committee appointed by the Supervisory Board in accordance with article 13 (1) of the Articles of Association and article 429 of the Companies Code);

Item Six – Election of KPMG & Associados – SROC, SA (n. 189) as the external auditor for the three-year period 2008 to 2010;

Item Seven – Election of the following Single Auditor and his alternate for the three-year period 2008 to 2010:

Single Auditor: Vítor Manuel da Cunha Ribeirinho ROC n. 1081);

Alternate Auditor: Ana Cristina Soares Valente Dourado (ROC n. 1011);

Item Eight – Approval of the proposal to acquire and sell own shares;

Item Nine – Approval of the proposal to acquire and sell own bonds;

Item Ten – Approval of the suppression of nr. 12 of art. 16 of the Articles of Association;

Item Eleven – Approval of the amendment to nr. 2 of art. 13 of the Articles of Association, replacing “10% of the net income” with “2% of the net income”;

Item Twelve – Election of the following members of the Remunerations and Welfare Board for the three-year period 2008 to 2010:

President: José Manuel Rodrigues Berardo

Members: Luís de Melo Champalimaud  
Manuel Pinto Barbosa.

On 26 June 2008, BCP received a letter from a shareholder, which stated that on 25 June 2008 a proposed legal action was delivered to the Commercial Tribunal in Vila Nova da Gaia. The proposed legal action requested that the deliberation on point 7 of the meeting agenda made at the General Meeting of Shareholders of the Bank on 27 May 2008, relating to the election of the Official Accountant and the Alternate Accountant, be declared null. BCP was notified by the Tribunal regarding this proposed legal action, which carries no effect in terms of suspending the deliberations of the General Shareholders Meeting, having afterwards contested this legal action according to the law.

On 26 June 2008, BCP announced that it had decided to propose to investors the resolution of legal issues stemming from the subscription of cash rights issues carried out by BCP in 2000 and 2001, using a mediation procedure organised by the Portuguese markets regulator, the Comissão do Mercado de Valores Mobiliários (“CMVM”). The proposal is directed to investors who have lodged complaints with BCP, to the bank’s ombudsman, to the Bank of Portugal or with the CMVM, or who have proposed legal action against BCP or participated in legal action against BCP, as long as, cumulatively:

- In the two rights issues they subscribed up to a total of 25,000 BCP shares, using credit provided by BCP;
- In the three years prior to the subscription they held, directly or indirectly, less than 20% of their assets in shares of any company;
- As a consequence of the subscription of shares in the rights issues realised by BCP, in 2000 and 2001, they came to hold more than 25% of their assets in BCP shares.

On 3 July 2008, BCP clarified that the scope of the mediation procedure was already concluded, as were the legal issues stemming from the subscription of cash rights issues carried out by BCP in 2000 and 2001. In these situations, all the criteria described in the Convention of Mediation and Rules of the Mediation Procedures and the clarifications contained in the “Frequent Questions” were applicable.

On 16 July 2008, BCP was notified of the decision that the Portuguese Securities Market Commission intended to adopt in the case of administrative offence process no. 3/2008, regarding the processes of acquisition or subscription for BCP shares in 2000 and 2001. This decision considered that there were violations of the legislation and involved imposing fines regarded as applicable. This decision is now subject to appeal in the courts of law. The matters involved in this process, namely looking at the processes of acquisition or subscription for BCP shares by investors that did not have the proper investment profile with regard to credit granted by the Bank, are a major concern of the current Executive Board of Directors. BCP has judicially contested this decision of the CMVM.

On 23 July 2008, BCP announced that the Boards of Directors of both companies involved had approved the merger by incorporation of BCP’s fully-owned subsidiary BCP Participações Financeiras, SGPS, Sociedade Unipessoal, Lda (“BCP PF”) into BCP, in order to comply with the provisions of article 116 of the Portuguese Companies Act, without previous submission to the general meetings of both companies.

On 23 September 2008, BCP agreed with Sonangol and BPA the price and the conditions under which Sonangol and BPA would take 29.9% and 20% stakes, respectively, in the capital of Banco Millennium Angola, as well as the price and the conditions under which Banco Millennium Angola will acquire a 10% stake in BPA.

On 14 October 2008, Standard & Poor's revised the "outlook" on BCP from "stable" to "negative". The long and short term "A/A-1" ratings of BCP were reaffirmed.

On 22 October 2008, Moody's re-affirmed BCP "Aa3 long-term/P1 short-term" credit ratings and "Stable" outlook.

On 24 October 2008, BCP notified information about the Bank's plans to issue debt for which the Bank will consider requesting the Portuguese State's guarantee as provided for by Law no. 60-A/2008 dated 20 October and by the Administrative Rule no. 1219-A/2008 dated 23 October, that aim to establish and regulate the possibility of granting personal State guarantees to strengthen the financial stability and inject liquidity in the financial markets.

On 1 December 2008, Fitch Ratings re-affirmed BCP's ratings and "Stable" outlook.

On 5 December 2008, BCP announced that it had decided to resume the process for merger by incorporation of Banco Millennium bcp Investimento, S.A., in order to directly pursue an investment banking activity. The merger process should be concluded during 2009 and will not impact the Group's consolidated accounts, as the company is a wholly owned subsidiary.

On 12 December 2008, BCP received notifications from the CMVM market regulator and the Bank of Portugal regarding the accusations of infractions against the Bank that were initiated relating to facts that occurred before the current financial year of 2008, namely regarding alleged irregularities related to the financing of the acquisition of shares issued by the Bank by companies based in external jurisdictions.

On 15 December 2008, BCP announced that it was notified of the decision of Secretary of State of the Treasury and Finance number 31835-A/2008 authorising the Portuguese State Guarantee to fulfil the obligations regarding principal and interest of a three-year maturity fixed-interest rate bond issue, up to 1,500,000,000.00 euros, under the Bank's Euro Note Programme.

On 17 December 2008, BCP signed a contract with Santoro Financial Holdings, SGPS S.A., a Portuguese company, covering the sale and acquisition of 87,214,836 shares of Banco BPI, or 9.69% of its share capital. Under this contract BCP has agreed to sell to a company wholly-owned by Santoro Holdings, SGPS S.A., the BPI shares for a price of 1.88 euros per share. This sale and acquisition was approved by the Bank of Portugal, under the terms of the General Banking and Financial Institutions Law and concluded on 3 March 2009. As a result of the execution of this contract BCP will no longer hold a qualified stake in Banco BPI, S.A.

On 31 December 2008, BCP, registered the merger of its wholly owned subsidiary BCP Participações Financeiras, SGPS, Sociedade Unipessoal, Lda into BCP, through the transfer of the total assets of BCP Participações Financeiras, SGPS, Sociedade Unipessoal, Lda. As BCP Participações Financeiras, SGPS, Sociedade Unipessoal, Lda is wholly owned by BCP, the above mentioned merger will not have any impact on the Group's consolidated accounts.

#### *Recent Developments*

On 12 January 2009, BCP announced that it had successfully launched 3- year, 1.5 billion euro Fixed Rate Notes guaranteed by the Portuguese Republic. This issue was rated "AA-" by Standard & Poor's, "Aa2" by Moody's and "AA" by Fitch Ratings.

On 13 January 2009, Mr. Maarten Dijkshoorn presented his resignation as member of the Senior Board of BCP.

On 21 January 2009, BCP announced that, following the previously disclosed analysis of its portfolio of international operations, and taking into account the previously announced strategy of focusing on priority markets, the bank had initiated, with the support of external advisers, a process to ascertain the different options, including the possible disposal of the participation in relation to Millennium Bank AS, in Turkey.

On 29 January 2009, BCP announced that it is in negotiations with a Mozambican group regarding that group's possible acquisition of a stake of up to 10% of BIM – Banco Internacional de Moçambique, S.A.

On 18 February 2009, BCP announced possible alternatives for increasing its own funds, which would equate to the steps that will result from the execution of the previously-announced strategy (which includes the refocusing of the portfolio of international operations, which will also have favourable effects on solvency ratios), on a supplementary basis, and to the extent recommended from a perspective of prudent capital management, issue non-dilutive financial instruments (that is, excluding common stock and instruments that are convertible into common stock) with characteristics that allow them to be included in the capital base. Merely for illustrative purposes, it was mentioned that, as of 31 December 2008, and considering the limit set by the Bank of Portugal for hybrid instruments eligible for own funds, the Bank could issue up to a maximum of 1,200 million euros, although it is to be expected that the value issued will be below the maximum mentioned. The exact value will depend on the expected impact and the timing of the other measures mentioned.

On 25 February 2009, BCP released information regarding the completion of the financial transactions relating to the strategic agreement between Sonangol – Sociedade Nacional de Combustíveis de Angola, Empresa Pública (“Sonangol”), Banco Privado Atlântico S.A. (“BPA”) and BCP. As a result, a rights issue has been carried out by Banco Millennium Angola (“BMA”), in the amount of 1,800,442,195.39535 Kwanzas (105,752,496.80 USD). Presently, Sonangol holds a 31.5% stake in the capital of BMA and BPA holds a 15.8% stake. BMA has meanwhile acquired a 10% stake in the capital of BPA, a key financial institution already active in the Corporate and Investment Banking sectors of the Angolan financial system. Following this capital increase, Banco Millennium Angola will be in a position to be able to carry out its business plan, which includes investing more than 200 million USD over the next three years to expand the retail branch network and create more than 1,000 jobs in Angola.

On 3 March 2009, BCP has sold, in a transaction outside the regulated market, 87,214,836 shares representing 9.69% of Banco BPI to Santoro Finance – Prestação De Serviços, SA (a company that is part of Santoro Financial Holdings, SGPS, S.A), for the price of € 1.88 (one euro and eighty eight cents) per share. After this transaction, BCP owns 68,533 shares representing 0.0076% of Banco BPI, held by the following entities: Banco Millennium bcp Investimento, S.A. (48,533 shares representing 0.0054% of the shares capital and voting rights) and Banco Comercial Português Group Pension Fund (20,000 shares representing 0.0022% of the share capital and voting rights), in total: 68,533 shares representing 0.0076% of the share capital and voting rights).

On 30 March 2009, in Oporto, BCP held its annual General Meeting of Shareholders with 63.44% of the share capital represented. The following resolutions were approved:

Item One – Approval of the individual and consolidated annual report, balance sheet and financial statements of 2008.

Item Two – Approval of the proposal of application of year-end results amounting to 451,182,625.88 euros, as follows:

45,118,262.59 euros for reinforcement of the legal reserve;

10,000,000.00 euros for reinforcement of the reserve for stabilisation of dividend;

79,808,200.00 euros for dividend payout;

316,256,163.29 euros for retained earnings.

Since the dividend payout mentioned above – 79,808,200.00 euros – was calculated, as standard, on the basis of a dividend of 0.017 euros per share, and as it is not possible to determine the exact number of treasury shares that might be held in the Bank’s portfolio on the payment date, it was resolved to pay the dividend of 0.017 euros per each share but that the dividend in respect of the shares held by the Bank on the first day of the dividend payment period shall not be paid but registered in a “retained earnings” account.

Item Three – Approval of the vote of trust and praise to the Executive Board of Directors and the Supervisory Board and each one of its members, as well as to the External Chartered Accountant.

Item Four – The remuneration policy of the members of the corporate governance bodies approved by the Remunerations and Welfare Board and by the Nomination and Remunerations Committee, as well as a statement on the Retirements Regulations for the Executive Board of Directors of the Bank adopted by the Supervisory Board for the three-year period of 2009 to 2011 was appraised.

Item Four A – Approval of the proposal to suppress the Senior Board and, with the exclusive purpose of matching the mandates of all corporate bodies of the Bank, to set the appointment of the members of the Supervisory Board approved in the General Meeting of 2009 to the biennial mandate of 2009 to 2010.

Item Five – Election of the following members of the Supervisory Board for the term-of-office of 2009 to 2010:

Chairman: Luís de Melo Champalimaud;

Vice-Chairmen: Manuel Domingos Vicente e Pedro Maria Caláinho Teixeira Duarte;

Members: Josep Oliu Creus; António Luís Guerra Nunes Mexia; Sociedade de Turismo e Diversões de Macau, S.A., which appoints Mr. Huen Wing Ming Patrick to exercise these functions on its behalf; António Victor Martins Monteiro; João Manuel de Matos Loureiro; José Guilherme Xavier de Basto; José Vieira dos Reis; Manuel Alfredo da Cunha José de Mello; Thomaz de Mello Paes de Vasconcellos; Vasco Esteves Fraga.

Item Six – Considering the approval of Item Four A to suppress the Senior Board, the proposals to elect the Senior Board members were not a subject for discussion.

Item Seven – Approval of a new number 2 to Article 12 of the Articles of Association (with the renumbering of the following numbers of the same Article) in order to clarify that in what concerns law firms and statutory auditors companies, the incompatibilities mentioned in Article 12-1 shall only apply to the individuals acting on behalf of such entities. The proposal to correct cross-references to Article 33 of the Articles of Association regarding the Senior Board, due to the previous mentioned change in Article 12, was not approved, due to the approval of item 4A to delete such Article 33.

Item Eight – Approval of the clarification that the resolution adopted in the general meeting of shareholders held on 27 May 2008 was based on Vítor Manuel da Cunha Ribeirinho and Ana Cristina Soares Valente Dourado, exercising their functions as External Chartered Accountant and Alternate Chartered Accountant, respectively, in their capacity of partners of KPMG & Associados – Sociedade de Revisores de Contas, S.A. Approval of the replacement of Vítor Manuel da Cunha Ribeirinho with KPMG & Associados – Sociedade de Revisores de Contas, S.A., represented by its partner Vítor Manuel da Cunha Ribeirinho, as External Chartered Accountant for the remainder of the current three-year period of 2008 to 2010, with Ana Cristina Soares Valente Dourado, in her capacity as partner of KPMG & Associados – Sociedade de Revisores de Contas, S.A. remaining as the Alternate Chartered Accountant.

Item Nine – Approval of the proposal to acquire and sell own shares.

Item Ten – Approval of the proposal to acquire and sell own bonds.

On 31 March 2009, BCP informed of the withdrawal of the proposal by a shareholder of the Bank for legal proceedings to be taken requiring a declaration of invalidity of the election of the External Chartered Accountant and Alternate Chartered Accountant, on 27 May, 2008 (as part of Item 7 of the working agenda of the annual General Meeting of Shareholders of BCP). “*Supervisory Board and Audit and Risk Committee*”.

On 6 April 2009, Moody's placed on review for possible downgrade the bank financial strength ratings (BFSR) and long-term debt and deposit ratings and short-term ratings of six Portuguese banks including BCP. The rating actions were prompted by the weakening of the Portuguese economic environment, as reflected by Moody's negative credit outlook on the Portuguese banking system, and pressure on the banks' current capitalisation levels as a result of relatively poor performances in 2008, anticipated lower revenue over the next few years and a higher credit-related write-down requirements.

On 30 April 2009, the Bank informed that it had received authorisation from the Bank of Portugal, under the terms of Decree-Law 103/2007 and 104/2007, to use the internal model method for the calculation of capital requirements for generic market risk. This authorisation, which covers BCP, Banco de Investimento Imobiliário S.A., Banco Millennium bcp Investimento S.A., and Banco ActivoBank (Portugal) S.A. is the result of a process that began in September 2007 and follows the authorisation already received to use the standard method for calculating regulatory capital requirements for the purpose of operational risk coverage for the same institutions, and also on a consolidated basis.

On 11 May 2009, BCP informed that the project to merge its wholly-owned subsidiary Banco Millennium bcp Investimento, S.A. into the Bank, through the transfer of the assets of the latter to the incorporating company and the extinction of the incorporated company, has been approved by the Boards of Directors of both companies involved, under the terms of Article 97 (1) and (4 a) and of Article 116 of the Portuguese Companies Code (Código das Sociedades Comerciais), without convening the General Meetings of the intervening companies. This merger should be concluded until the end of 2009, as per the approval of the Bank of Portugal, which will be requested immediately together with the registration of the approved Merger Project.

On 11 May 2009, Millennium bcp presented first quarter 2009 results. Consolidated net income totalled Euro 106.7 million, compared with Euro 14.7 million in the same period of 2008. Consolidated net income in the first quarter of 2009 includes the gain from the entry of new shareholders in Banco Millennium Angola's share capital, amounting to Euro 21.2 million. Consolidated net income in the first quarter of 2008 includes the accounting of specific items, net of taxes, related with impairment losses determined by the devaluation of Banco BPI shares, in the amount of Euro 131.2 million, and with the reduction of the variable remuneration already accrued in 2007, in the amount of Euro 13.2 million. Excluding specific items, net income of the first quarter of 2009 stood at Euro 85.5 million, compared to Euro 132.7 million in the same period of 2008.

The capital ratios of the Group as at 31 March 2009 were determined in accordance with the Basel II framework, with the calculation of capital requirements following the standard approach in respect to credit risk and, subsequent to the authorization from the Bank of Portugal, the standard approach for the operational risk (the basic indicator approach was used previously). Consolidated solvency ratio as at 31 March 2009 stood at 9.9% and the Tier I ratio at 6.8%. The Core Tier I stood at 5.5% compared to 5.8% as at 31 December 2008.

The evolution of the Core Tier I from 31 December 2008 was unfavourably influenced (i) by the devaluation of the investment in Eureka (-27 b.p.); (ii) by negative foreign exchange differences, mainly in Poland and Mozambique, with impact on both equity and minority interests (-11 b.p.); (iii) by the impact of the deferred transition adjustments to IFRS from the mortality table in 2005 and from the actuarial losses recorded in 2008 (-7 b.p.); and (iv) by the increase in treasury shares in the amount of Euro 20 million (-3 b.p.) and by the reinforcement of regulatory provisioning in the amount of Euro 20 million (-3 b.p.). Conversely, compared to 31 December 2008, the Core Tier I benefited from the sale of part of Banco Millennium Angola' share capital, reflected both in minority interests and in results (+12 b.p.), as well as from the positive impact of internal capital generation in the first quarter of 2009 (+5 b.p.) – including the regulatory adjustments related to the increase of Millennium bcp's own credit risk recorded in trading liabilities at fair value. The evolution of the Core Tier I between 31 December 2008 and 31 March 2009 also benefited from the decrease in risk weighted assets, in the amount of Euro 1,242 million, of which Euro 838 million from the change on the method of calculating capital requirements to operational risk, namely the adoption of the standard approach, which had an impact of +7 b.p. on the Core Tier I ratio.

On 15 May 2009, BCP announced that the merger project concerning the merger by incorporation of Banco Millennium bcp Investimento, S.A. into the Bank had been registered, further announcing that the merger would be carried out as soon as the authorisation from Banco de Portugal was granted, without a prior resolution of the general meetings of shareholders of the companies involved.

On 23 June 2009, the Executive Board of Directors of BCP implemented changes in the Co-ordination Committees that report to the Executive Board of Directors. The following Co-ordination Committees were maintained: Private Banking and Asset Management Co-ordination Committee; European Businesses Co-ordination Committee and Banking Services Co-ordination Committee. The changes introduced comprehended the creation of two new Co-ordination Committees: Retail and Companies; Corporate and Investment Banking, replacing the previous Retail Banking Co-ordination Committee and Corporate and Companies Coordination Committee. Also the responsibility for Investment Banking that did not integrate the Co-ordination Committees was included in the scope of the Corporate and Investment Banking Co-ordination Committee. The global co-ordination of operations in Africa and in America is held directly by the Members of the Executive Board of Directors of BCP responsible for those operations, because the specificities of the markets in which the operations are developed justify individual treatment and consequently would not benefit from their inclusion in Co-ordination Committees.

On 26 June 2009, in accordance with Article 3 b) of CMVM Regulation 5/2008, BCP informed that Mrs. Sofia Raposo, had been appointed as the new Market Relations Representative and Head of the Investor Relations Division, starting her new functions as from 1 July 2009.

On 29 June 2009, the Bank has issued 300 million euros of Millennium bcp Valor Capital 2009, perpetual subordinated debt securities with conditional coupons under the 7.5-billion euro Debt Securities Program of the Bank, which were authorised by the Bank of Portugal to be included in Tier I, on an individual and consolidated basis, up to a maximum of 35% of the total Tier I of the Bank.

### 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 Bank 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 Bank's distribution network operating under a single brand, BCP, has enabled the Bank to maintain a leading position among its competitors. The Bank's fully centralised back office operations have also enabled the Bank to operate efficiently and exploit economies of scale.

According to the Portuguese Banking Association, at the end of the first half of 2008, BCP had a market share of 21% of total assets, 26.5% of loans to customers (gross, excluding off-balance sheet securitisations), 24.4% of deposits (at the end of 2008), and 14.7% of the number of branches. In the second half of the 1990s the Portuguese banking system experienced a consolidation process, which 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, cross-selling and new branch openings, as well as on core operations, which tend to support aggressive commercial strategies.

The following table illustrates the competitive environment in Portugal for the five years ended 31 December 2008:

	<i>As at 31 December</i>				
	<i>2008</i>	<i>2007</i>	<i>2006</i>	<i>2005</i>	<i>2004</i>
Nr. of Banks <sup>(1)</sup>	45	48	48	48	50
Nr. of Branches	6,078	5,977	5,562	5,357	5,312
Population (thousands)	10,627	10,618	10,599	10,57	10,529
Inhabitants per branch	1,748	1,776	1,906	1,973	1,982
Branches per bank	135	125	116	112	106

Sources: Portuguese Banking Association (Associação Portuguesa de Bancos) and National Statistics Institute of Portugal (Instituto Nacional de Estatística).

(1) Including Caixa Económica Montepio Geral.

The Bank is also subject to strong competition in the international markets in which it operates. In Poland and in Greece, significant 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 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, which have resulted in significantly increased competition from foreign banks. As at 31 December 2008, the market share of Bank Millennium in Poland, according to the data released by the National Bank of Poland, stood at 5.4% of loans to customers and at 5.6% of deposits. In Greece, according to the data released by the Bank of Greece, the market share in loans to customers and deposits reached, respectively, 2.0% and 1.1% in 2008.

In Mozambique, Millennium bim is market leader with a market share of 39.7% of loans to customers and 36.7% of deposits in 2008, according to data from the Bank of Mozambique. In relation to this market, it is foreseeable that competition from foreign banks, namely South African banks, continues to increase.

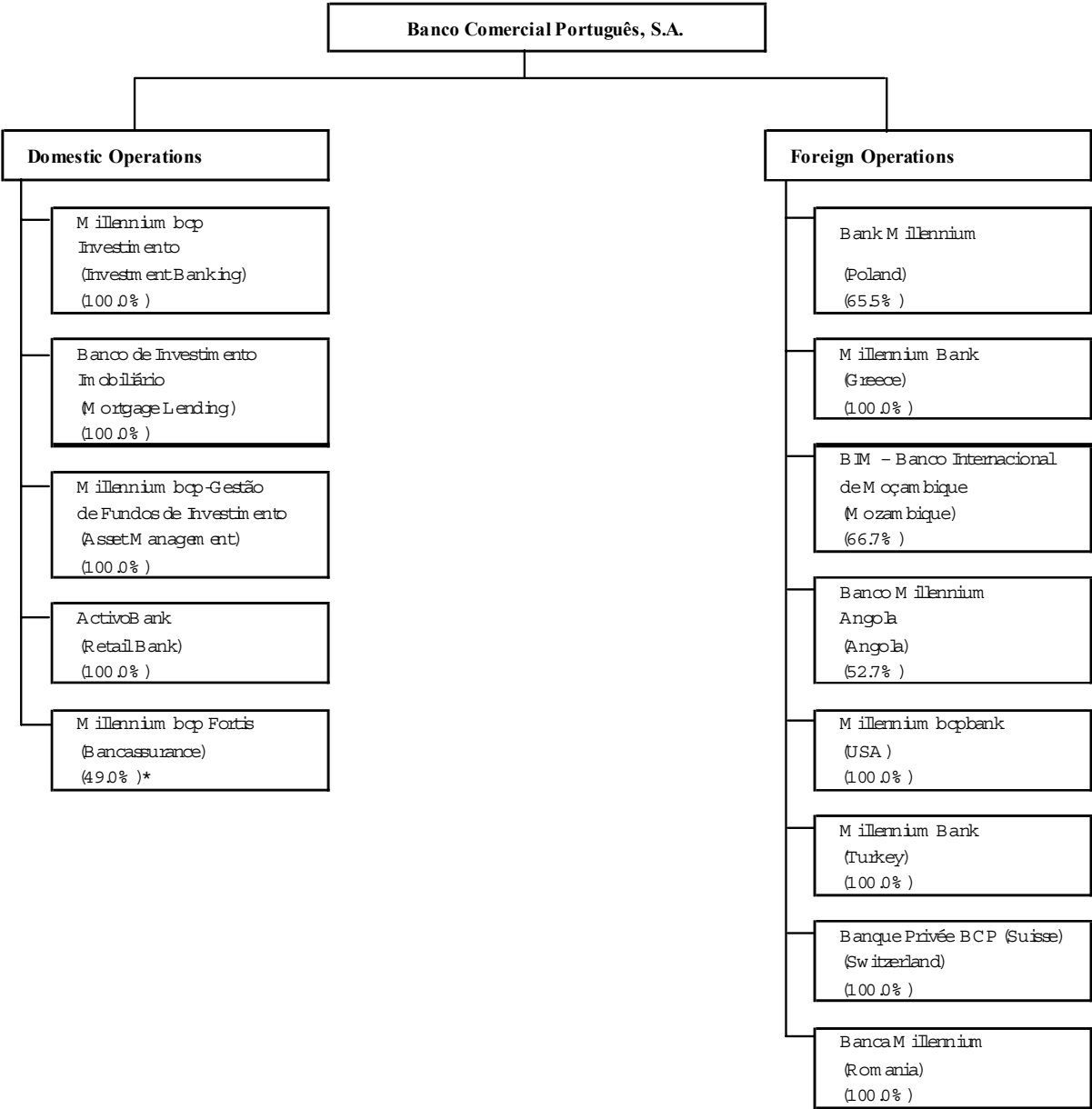
In Angola, following the capital increase which has extended the scope of the strategic agreement with Sonangol and BPA, Banco Millennium Angola now has the ambition of expanding its branch network up to 100 branches in 2011. The main competitors have ambitious plans of business expansion currently underway, three of them rebranded their branch image in 2008. The top four Banks increased their marketing and advertising investments. Additionally, there was an increased number of players in retail, corporate and investment banking. For example, the strategic partnership between Banco Totta and Caixa Geral de Depósitos should be mentioned as well as the fact that that three new licences were issued in 2008 for the following banks: Finibanco (already operating), Banco Quantum Capital, and Standard Bank. BMA's market share in Angola in 2008, according to the data from the Bank of Angola, stood at 2.5% of loans to customers and 1.4% of deposits.



**D. Organisational Structure**

*The Bank and the Group*

The following diagram summarises the organisational structure of the principal subsidiaries of the Group on 31 March, 2009 (being the latest practicable date for which such information is available):



\* Consolidated by the equity-method.

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

### Significant Subsidiaries

The following is a list of the main subsidiaries of BCP at 31 March 2009:

	<i>Country of Incorporation / Residence</i>	<i>per cent. held by the Bank</i>	<i>per cent. held by the Bank</i>
Banco Millennium bcp Investimento, S.A.	Portugal	100.0	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	52.7	52.7
Millennium Bank, Anonim Sirketi	Turkey	100.0	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	100.0
Millennium bcp – Prestação de Serviços, A.C.E.	Portugal	51.5	93.6
Millennium bcp Fortis, S.G.P.S, S.A.	Portugal	—	49.0
Millennium Bank, Societe Anonyme	Greece	—	100.0
Banca Millennium, S.A.	Romania	—	100.0

### General

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

The Bank has made no material investments since the date of the last published financial statements and the Bank has made no relevant firm commitments on future investments.

Save as disclosed in the Recent Developments dated 18/2/2009, 30/3/2009 (item two), 30/4/2009, 11/5/2009 regarding first quarter 2009 results and 29/6/2009 on pages 109 to 112 of this Base Prospectus, there have been no recent events particular to the Bank's, which are to a material extent relevant to the evaluation of the Banks solvency.

### E. Share Capital

The authorised, issued and fully paid up share capital of the Bank is €4,694,600,000, divided into 4,694,600,000 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>
<b>Carlos Jorge Ramalho dos Santos Ferreira</b>	Chairman of the Executive Board of Directors	Banco Comercial Português, S.A .
	Chairman of the Board of Directors	Fundação Millennium bcp
	Member of the Supervisory Board	Bank Millennium, S.A. (Polónia)
<b>Armando António Martins Vara</b>	Vice-Chairman of the Executive Board of Directors	Banco Comercial Português, S.A.
	Chairman of the Board of Directors	Banco de Investimento Imobiliário, S.A.
	Vice-Chairman of the Board of Directors	Banco Millennium bcp Investimento, S.A.
	Manager	BII Internacional, SGPS, Lda.
	Manager	VSC – Aluguer de Viaturas sem Condutor, Lda.
	Vice-Chairman of the Board of Directors	Fundação Millennium bcp

<i>Name</i>	<i>Position(s) held</i>	<i>Company/Institution</i>
<b>Vice-Chairman of the Board of Directors</b>	BIM – Banco Internacional de Moçambique, S.A.	
	Chairman of the Board of Directors	Banco Millennium Angola, S.A.
<b>Paulo José de Ribeiro Moita de Macedo</b>	Vice-Chairman of the Executive Board of Directors	Banco Comercial Português, S.A.
	Vice-Chairman of the Board of Directors	Fundação Millennium bcp
	Member of the Supervisory Board	Bank Millennium, S.A. (Polónia)
	Member of the Board of Directors	BCP Holdings (USA), Inc.
<b>José João Guilherme</b>	Member of the Executive Board of Directors	Banco Comercial Português, S.A.
	Chairman of the Board of Directors	Banco ActivoBank (Portugal), S.A.
	Chairman of the Board of Directors	Banco Millennium bcp Investimento, S.A.
	Member of the Board of Directors	Fundação Millennium bcp
	Member of the Board of Directors	BCP Holdings (USA), Inc.
	Member of the Board of Directors	BIM – Banco Internacional de Moçambique, S.A.
<b>Nelson Ricardo Bessa Machado</b>	Member of the Executive Board of Directors	Banco Comercial Português, S.A.
	Member of the Board of Directors	Fundação Millennium bcp
	Vice-Chairman of the Board of Directors	Millenniumbcp 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	PensõesGere, SGFP, S.A.
	Vice-Chairman of the “ <i>Conseil de Surveillance</i> ”	Banque BCP, S.A.S. (França)
	Member of the Board of Directors	BCP Holdings (USA), Inc.
	Member of the Board of Directors	Millennium Bank S.A. (Grécia)
	Member of the Supervisory Board	Bank Millennium, S.A. (Polónia)
	Member of the Supervisory Board	Banca Millennium, S.A. (Roménia)
<b>Luís Maria França de Castro Pereira Coutinho</b>	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	Fundação Millennium bcp
	Chairman of the Board of Directors	Banque Privée BCP (Suisse), S.A.
	Vice-Chairman of the Board of Directors	Millennium Bank, S.A. (Grécia)
	Chairman of the Board of Directors	BCP Holdings (USA), Inc.
	Chairman of the Board of Directors	Banca Millennium, S.A. (Roménia)

<i>Name</i>	<i>Position(s) held</i>	<i>Company/Institution</i>
<b>Vítor Manuel Lopes Fernandes</b>	Member of the Executive Board of Directors	Banco Comercial Português, S.A.
	Member of the Board of Directors Manager	Fundação Millennium bcp BCP Internacional II, Soc. Unipessoal, SGPS, Lda
	Chairman of the Board of Directors	Millennium bcp – Prestação de Serviços, ACE
	Member of the Supervisory Board	Bank Millennium, S.A. (Polónia)
	Member of the Board of Directors Member of the Board of Directors	Millennium Bank S.A. (Grécia) BCP Holdings (USA), Inc.

The business address for each of the Directors of BCP is Tagus Park Edifício 1, Avenida Professor Doutor Cavaco Silva (Parque das Tecnologias), 2744-002, Porto Salvo, Portugal.

Positions held outside the Banco Comercial Português Group by Banco Comercial Português, S.A. 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>
<b>Carlos Jorge Ramalho dos Santos Ferreira</b>	Member of the Board of Directors, as representative of BCP	Banco Sabadell
	Member of the Supervisory Board	EDP – Energias de Portugal, S.A.
<b>Vítor Manuel Lopes Fernandes</b>	Member of the Board of Directors, as representative of BCP	SIBS – Soc. Interbancária de Serviços, S.A.
<b>José João Guilherme</b>	Member of the Board, as representative of BCP	ELO-Associação Portuguesa Para o Desenvolvimento Económico e Cooperação
	Member of the Board of Directors, as representative of BCP Internacional II	PVCi-Portugal Venture Capital Initiative

To the best knowledge of the Issuer and in the Issuer's opinion, other than as disclosed above, no Director of BCP has any activities outside BCP which are significant with respect to BCP.

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

BCP complies with general provisions of Portuguese law on corporate governance.

#### ***Supervisory Board and Audit Committee***

The Supervisory Board is the governing body responsible for the Supervision function, according to the two-tier governance model adopted by Banco Comercial Português, and its members are as follows:

Chairman:	Luis de Melo Champalimaud
Vice-chairmans:	Manuel Domingos Vicente Pedro Manuel Caláinho Teixeira Duarte
Members:	Josep Oliu Creus António Luís Guerra Nunes Mexia Mr. Huen Wing Ming Patrick, appointed by Sociedade de Turismo e Diversões de Macau, S.A., to exercise these functions on its own behalf António Vítor Martins Monteiro João Manuel de Matos Loureiro José Guilherme Xavier de Basto José Vieira dos Reis Manuel Alfredo da Cunha José de Mello Thomaz de Mello Paes de Vasconcellos Vasco Esteves Fraga

The business address for each of the members of the Supervisory Board of BCP is Rua Augusta, N° 84, 4°, 1149-023 Lisbon, Portugal.

Positions held outside the Banco Comercial Português Group by Banco Comercial Português Supervisory 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>
<b>Luis de Melo Champalimaud</b>	Chairman of the Board of Directors	Confiança Participações, SGPS
	Chairman of the Advisory Board	Cimentos Liz, S.A.
	Chairman of the General Board	Cimentos Liz (Brazil)
	Chairman of the Supervisory Board	Cimentos Liz (Brazil)
<b>Manuel Domingos Vicente</b>	Chairman	Sonangol
	Chairman of the Board of the General Meeting	UNITEL
	Consultant	GAMEK
	Chairman	Luanda Based Management Committee
	Vice-Chairman	Fundação Eduardo dos Santos (FESA)
<b>Pedro Manuel Caláinho Teixeira Duarte</b>	Executive Director	Teixeira Duarte – Engenharia e Construções, S.A.
	Director	Cimpor – SGPS, S.A.
	Chairman of the Board of Directors	PASIM – Sociedade Imobiliária, S.A.
	Chairman of the Board of Directors	PACIM – SGPS, S.A.
<b>Josep Oliu Creus</b>	Chairman of the Board of Directors	Banco Sabadell
	Member of the Board of Trustees	Príncipe de Asturias Foundation
	Chairman of the Board of Directors	BanSabadell Holding, S.L. Unipers
	Member of the Management Committee	Fondo de Garantía de Depósitos
	Vice-Chairman	Spanish Chapter of the European League for Economic Cooperation
	Member	Spanish Board of INSEAD
	Chairman	Foudation for Studies in Applied Economics
	Chairman	Banco Herrero Foundation
	Member of the Board	Spanish Banking Association
<b>António Luís Guerra Nunes Mexia</b>	Chairman of the Board of Directors	EDP – Energias de Portugal, S.A.
	Chairman of the Board of Directors	EDP – Energias do Brasil, S.A.
	Chairman of the Board of Directors	EDP – Estudos e Consultadoria, S.A.
	Non-executive Director	Aquapura – Hotels Resort & SPA, S.A.
<b>Patrick Huen Wing Ming</b>	Vice-Chairman	Seng Heng Bank Limited
	Executive Director	Seng Heng Bank Limited
	Executive Director	Shun Tak Holdings Limited
	Executive Director	CAM-Macau International Airport Company Limited
	Director	Estoril Sol, SGPS, S.A.
	Member	Chartered Institute of Bankers in the UK

<i>Name</i>	<i>Position(s) held</i>	<i>Company/Institution</i>
	Honorary Chairman	Macau Association of Medical Practitioner
	Vice-Chairman	Dr. Stanley Ho Medical Development Foundation
<b>António Vítor Martins Monteiro</b>	Ambassador	Portuguese Ambassador in France
<b>João Manuel de Matos Loureiro</b>	Member of the General Council	University of Porto Business School
	Professor	School of Economics of Porto
<b>José Guilherme Xavier de Basto</b>	Non-Executive Director	Portugal Telecom, SGPS, S.A.
	Member of the Audit Board	Portugal Telecom, SGPS, S.A.
<b>Manuel Alfredo da Cunha José de Mello</b>	Chairman of the Board of Directors	Nutrinveste, SGPS, S.A.
<b>Thomaz de Mello Paes de Vasconcellos</b>	Non-Executive Director	Portugal Telecom, SGPS, S.A.
<b>Vasco Esteves Fraga</b>	Member of the Board of Directors	Estoril Sol, SGPS, S.A.
	Member of the Board of Directors	Estoril Sol (III) – Turismo Animação e Jogo, S.A.
	Member of the Board of Directors	Varzim Sol – Turismo e Animação, S.A.

To the best knowledge of the Issuer and in the Issuer's opinion, other than as disclosed above, no member of the Supervisory Board of BCP has any activities outside the Issuer which are significant with respect to BCP.

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

According to news in the press, Sonangol, an Angolan company of which Mr. Manuel Domingos Vincente is a board member, has direct and indirect shareholdings in Angolan institutions and envisages the establishment of an Angolan investment bank with Caixa Geral De Depósitos with foreseen activity also in Portugal, which, taking into account the information publicly available as of the date of this document, is not considered to raise material conflicts of interest.

The Audit Committee has the following members:

Chairman:	João Manuel Matos Loureiro
Members:	José Guilherme Xavier de Basto José Vieira dos Reis Thomaz Paes de Vasconcellos

## THE PORTUGUESE MORTGAGE MARKET AND THE SERVICING OF THE COVER POOL

### A. PORTUGUESE MORTGAGE MARKET

Since joining the European Union in 1986, the Portuguese economy has been improving its living conditions (economic development and social cohesion) and gradually reducing its economic development gap vis-à-vis other euro zone members. GDP per capita has increased from less than 60 per cent. of the EU15 average in 1986 to around 70 per cent. currently. The EU integration process during the 1990's provided a favourable environment, of political and financial stability, conducive to a strong expansion of the mortgage business in Portugal. The convergence momentum has moderated significantly since 2001.

Portugal has not been immune to the global downturn and is going through a severe recessionary period, in line with the average performance recorded for the euro area. Though continuing to expand, the mortgage market has become more mature. Annual mortgage production has been decelerating lately as credit and economic conditions worsened whereas house prices have remained subdued. This performance contrasts with the housing boom seen in other European countries, explaining why the housing market adjustment in Portugal has been milder.

#### 1. Long term developments

Overall, the Portuguese economy recorded a good performance over the past decades, driven by the process of cohesion (1985-1993) and convergence (1993-1998) but has shown some difficulties in adjusting to 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, and was a founding member of the single currency. The unemployment rate declined from 9 per cent. to 4 per cent., inflation dropped significantly from close to 30 per cent. in 1985 to 2 per cent. in late 1990's, and the public finances gradually became more sustainable, with the general government deficit being cut from around 10 per cent. of GDP to below 3 per cent. In those years, real GDP growth averaged 3.5 per cent. per year, helping GDP per capita levels to move nearer the European average.

The buoyancy of economic activity was further reinforced by the convergence of monetary conditions to European standards and by the markets liberalisation – abolishing lending constraints and setting market driven interest rates – under the aegis of the single currency. The Maastricht criteria (inflation, interest rates, public finances) 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 and 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 three month Lisbon interbank offered rate moved from 10 per cent. in 1993 to about 3 per cent. 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 lending business was restricted to three public institutions), reinforced the competition among market participants to achieve a stronghold in a key banking segment such as this (lower credit delinquencies and a platform for the deepening of customer's relationship). The "feel-good" factor, gains in employment and wages, the availability of credit associated with a vast array of innovative financial products and the improvement in the quality of new homes supported a strong increase in the demand for residential property, which quickly became a superior alternative to the non-functional rental market. Hence, the growth rate of credit granted to households increased quickly during for most of the 1990's, topping 38 per cent. year-on-year in 1998.

After 2000, the Portuguese economy convergence process stalled. The loss of the exchange rate instrument, by putting greater emphasis on productivity gains and flexible markets, the oil shock, the global slowdown induced by the implosion of the "dot-com" bubble, the more risk averse sentiment that ensued after 9/11 and increasing integration of emerging economies in the global marketplace, which competed directly with traditional Portuguese export markets, resulted in the Portuguese economy facing greater difficulties in the global market place. At the domestic level, households' build up of debt, higher economic uncertainty and the fiscal policy constraints resulting from the accumulation of fiscal imbalances over the 1998-2001 period, led to a downward

adjustment of spending patterns. Thus, in sharp contrast with 1990's performance, GDP growth averaged 1,4 per cent. from 2000 to 2007 (2.4 per cent. for the euro average), with a recession effectively taking place by 2003 (-0.8 per cent.). As the global environment became more adverse to the mortgage business and regulatory changes came to the fore (end of new subsidized housing loans after 30 September, 2002) credit momentum subsided. Even so, the easing in monetary conditions, further accentuated by less restrictive bank's lending standards (extension of the loan horizon, initial grace period, margins compression), partially offset those effects. Hence, housing loans continued to grow at a reasonable 10 per cent. per year since 2003. Adequate scoring systems, judicious allocation of capital, strong own -ownership ratio in the housing market and financial innovation contributed to ease households' financial strains thereby reducing the potential negative effects in underlying credit quality.

## **2. Current situation**

### **a) The economy**

The Portuguese economy has been affected by the global financial crisis and ensuing global economic fallout. Real GDP growth stalled in 2008 and is expected to contract by nearly 4.0% in 2009. Only a modest economic recovery is expected beyond, supported on the economic improvements foreseen for the main trading partners and the normalization of the global financial markets. The Portuguese economy is a small and open economy that has accumulated a significant external debt overhang in the past few years. This made it vulnerable to the development of external conditions. Domestic demand will remain very depressed in the coming quarters. The uncertain climate and more demanding financial scrutiny is holding down investment spending and companies are much more prudent when evaluating their strategic options. The same concerns apply for households spending decisions. Higher unemployment, negative wealth effects and the credit bubble implosion push for frugality. Despite the demanding conditions, the downward adjustment of interest rates and mild deflation are expected to exert positive effects on households' real income. Net external demand contribution to growth is expected to turn positive, as imports also move dramatic lower. This, coupled with moderate improvements in terms of trade, should help reducing the external deficit to more manageable levels. Inflation is expected to remain very subdued. Downward cyclical pressures on prices, related to the growing output gap, are expected to smooth the opposite impact stemming from the turnaround in energy prices. The public deficit in 2008 was below the 3% Maastricht threshold but the worsening of economic conditions led to a halt in the consolidation trend. The one-off stimulus package, in support of economic activity and the financial sector as agreed at a EU level, is worth about 1.3 % of GDP. The cyclical negative impact on public revenues, higher social spending and the special measures will push the public deficit and public debt levels higher. However, they are expected to be in line with the euro zone average.

The main challenges for sustainable economic growth have not changed, instead they have gain in relevance given the current trade and financial turmoil. The external debt dynamics needs to change course soon. For that to happen, efforts to raise productivity and competitiveness have to be strengthened in order to provide for lower business operations cost and greater integration to master change. It means keeping the pace on structural reforms on education, on labour markets, on public administration, raising the efficiency of the judicial system, lowering the level of energy dependence from foreign providers. Some diversification of trade flows might also be warranted. That is already been happening, building on cultural and historical affiliations with fast developing economies located in Latin America and Africa.

### **b) The housing market**

Residential permits issued and new dwellings completed have been declining since 2002, contributing to some rebalancing of the residential property market. In spite of this adjustment, no significant fall in house prices has occurred. In fact, housing markets in Portugal have not evidenced the same fast growth pattern as in other European geographies. Housing prices have been growing steadily in line with headline inflation, though in some regions where stocks of unsold homes were higher, house prices have declined accordingly. Demand for homes is expected to remain lackluster as credit and economic conditions remain poor. Confidence readings in the housing market have also turned lower. Overall, current conditions still point to moderation in house prices ahead.

Measures to prop up the rental market have proven feeble. The rental market does not have strong penetration, part of it related to the kind of incentives embedded in the legislative framework,



namely the judicial burden to evict tenants and for the updating rents. Fiscal incentives recently endorsed might help urban rehabilitation works reducing the stock of depleted housing buildings as well as the set up of special investment funds that offer homeowners the possibility to sell their homes to the fund, paying a rent and buy it later.

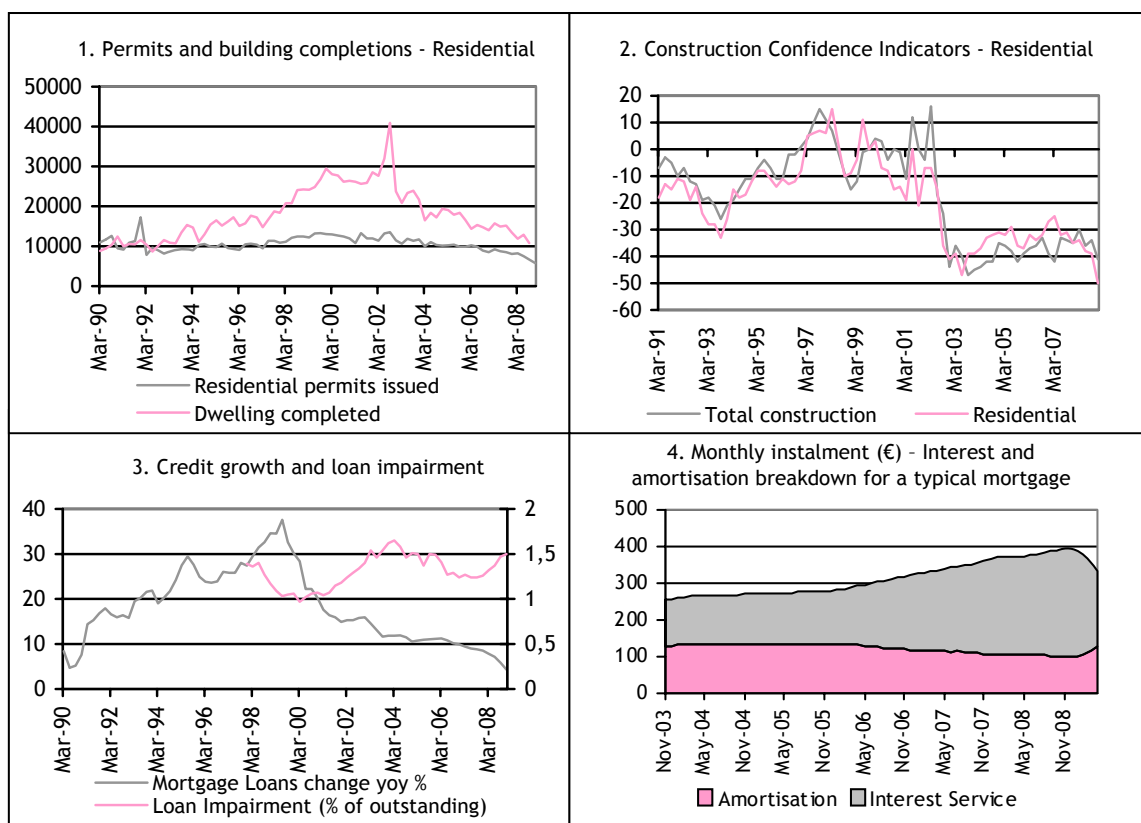
As the growth rate of mortgage lending has been above nominal GDP, the ratio of mortgage outstanding per nominal GDP has consistently moved upwards, from slightly less than 20 per cent. at the end of 1995 to around 70 per cent. in 2008. In terms of total credit, the mortgage business has also gained in importance, currently accounting for around 80 per cent. of the lending to private individuals, at around Euro 120 billion (including securitized loans). Most of it is concentrated in the metropolitan areas of Lisbon and Porto. The six largest banking groups in Portugal are the originators of most of the residential property loans.

As in most of the credit markets, the mortgage loan market has slowed significantly over the last few quarters, as economic and credit conditions became more adverse. Credit demand by households is moderating as labour market conditions and wealth effects constrain households' expenditure decisions. Even so, credit growth remains brisker than nominal GDP, helped by substantial lower interest rates. Mortgage loan impairments as a percentage of total credit have risen to around 1.6%, impacted by higher unemployment readings, returning to the levels seen in last recession of 2003.

Most of the mortgage lending is done at a variable interest rate, usually indexed to the average three months or the six month Euribor, with a one month lag. Although available, fixed rate lending or capped rate alternatives have not been on demand as it is seen as uncompetitive due to the usual increase in the immediate monthly payment. The spread charged over the benchmark depends on several factors, like the individual's credit appraisal, the loan-to-value level, the banking relationship, other collateral arrangements and global market conditions. The widespread use of contracts at variable interest rate makes households particularly exposed to interest rate risk. However, in the current case acts in favour of smoothing the impact of the worse economic conditions by easing the debt servicing burden of households. According to INE, the relevant interest rate for new mortgage loans decreased by around 250bp since the beginning of 2009.

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 setting. Subsidised mortgage schemes were discontinued (2002) and the terms of the loans were liberalised (2005) allowing financial institutions to extend the loan horizon up to 50 years, provided the customer's age does not exceed 75 years. In 2007 a maximum pre-payment penalty, conditional on the type of the indexer, as well as specific rounding procedures for the interest rate charged were introduced. This set of rules further enhanced competition in the marketplace.

Portuguese households rank among the most indebted of the EU, as households loans account for roughly 130 per cent. of households' disposable income. However, according to the Banco de Portugal estimates, the households global financial situation seems solid as total wealth is 4 times higher than total debt.



## B. The Residential Mortgage Business of Millennium bcp

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 or resulting from applications submitted by real estate agents (which, nevertheless, require that customers go to a branch to deliver required information).

### Underwriting

Millennium bcp’s residential mortgage loan applications data and prospective borrowers’ and guarantors’ details are inputted at branches into a front-end system application linked to an electronic credit decision-making and pricing workflow system application.

A set of risk and product filters is checked on-line. Should credit applicants’ records not be available at the bank, information at the central banking system is checked.

This system application automatically defines both the risk level that will determine the underwriting of the credit risk and the commercial level to establish pricing conditions.

The branch credit committee is empowered by automated models within pre-defined rules and constraints to perform the underwriting, if no filters apply and probability of default is assessed by behaviour or application scorecards.

If the branch credit committee is not empowered to underwrite the credit risk, the loan application is automatically and electronically sent to the Credit Division.

At the Credit Division (*Direcção de Crédito*), deeper inquiries may be made on borrowers' and guarantors' (if any) delinquency, total borrowing and defaults at the Bank of Portugal credit bureau, bank account information in Millennium bcp's Customer Information System, bank account statements at other banks and additional information collected by the branch officers (e.g. other assets owned by the client).

After a decision has been taken, it 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 valuer. The Credit Division's agreed service level is 24 hours.

The issue of a formal letter of approval, loan agreement issuing and loan disbursement occurs only after confirmation of all data provided by the Mortgage Contracting Division (*Direcção de Contratação de Crédito à Habitação*).

### **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 2 November 2002 the maturity of new residential mortgage loans is freely agreed among the parties. The maturity of Mortgage Loans originated in the BCP Group 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. Most loans, once fully drawn, must be repaid in instalments with payments of interest and principal paid by direct debit, usually on a monthly basis, but different amortisation profiles or interest only payment periods may be agreed with the borrower.

### **Arrears Procedures**

In Retail area, delinquencies persisting for less than 15 days are dealt with directly at branch level. Branch officials receive a daily report on arrears, based on which they are expected to take appropriate action depending on their existing relationship with the borrower. Seven days after the first day of arrears the bank initiates a remote communication plan with the borrowers, using SMS, CAT and Internet, and all branches received the list of all customers in those conditions, in order to contact them all.

Once 15 days overdue, in the Retail Recovery Unit, loans are transferred to the credit recovery division – Retail Area – “First Line”. Within a period of, at maximum, 60 days, the “First Line” contacts all customers and if the collection effort proves unsuccessful, the customers will be sent to the “Second Line” if the volume of exposure is under 50.000 € and for the “Specialized Recovery Unit” if the volume of exposure is over 50.000 € and under 1.000.000 €. During a period, at maximum, 6 months on the “Second Line” and 9 months on the “Specialized Recovery Unit”, all possible credit restructuring strategies are tried, and if it is not possible, the next stage is to send all cases to External Lawyers. At the same time, the recovery agent who manages the relationship with the borrower 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 borrower and any guarantors in order to inform the debtors and facilitate the recovery process.

This operating model in retail business area was implemented in last October, and with this initiative BCP seeks to (1) reinforce all the remote communication means with the borrowers (Letters, SMS, CAT, Internet), (2) reinforce the collection area and credit restructuring strategies, creating first and second communication lines in order to accelerate resolution of all situations, (3) segment the exposure treatment in specialized recovery teams for past due amounts over €50,000 and (4) improve the process of instructing external lawyers.

In terms of customers from Corporate, Mid Corporate, Private Banking and Retail over 1.000.000 € of total exposure, the delinquencies persisting for less than 90 days are dealt with directly at branch level, after this period are handled by Major Risks Recovery Units.

The Majors Risks explores different approaches on a case-by-case basis over a period which normally does not exceed nine months from the date on which the loan becomes overdue. If these efforts are not effective, the delinquent loan is sent to external lawyers 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 borrower will continue to seek an out-of-court solution.

## 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 Euro 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 68 (a) to (f) of the Capital Requirements Directive. Accordingly, pursuant to Regulation 7/2006, a 10 per cent. risk-weight shall be applied to covered bonds issued pursuant to the Covered Bonds Law.

# TAXATION

## Portugal

The following is a general 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. Potentially applicable transitional rules have not been considered. 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 neither takes into account nor discusses investors' individual circumstances or the tax laws of any country other than Portugal, and it relates only to the position of persons who are absolute beneficial owners of the Covered Bonds. Prospective investors are advised to consult their own tax advisers as to the Portuguese or other tax consequences of the purchase, ownership and disposal of Covered Bonds. Tax consequences may differ according to the provisions of different double taxation treaties, as well as according to a prospective investor's particular circumstances.

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 or which may be created by the "Terms and Conditions of the Covered Bonds" or any related documentation.

### 1. Covered Bonds not held through a centralised control system

#### *Portuguese resident holders and non-resident holders with a Portuguese permanent establishment*

Interest and other types of investment income obtained on Covered Bonds by a Portuguese resident individual is subject to withholding tax at 20%, which is the final tax on that income unless the individual elects to include it in his/her 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 regarded as investment income and is taxed accordingly.

Capital gains obtained on the disposal of the Covered Bonds by Portuguese-resident individuals are not subject to tax. Accrued interest qualifies as interest for tax purposes.

Stamp tax at 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 (or person living together as spouse), descendants and parents/grandparents.

Interest or other investment income derived from the Covered Bonds and capital gains realized with the transfer of the 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 profits and are subject to corporate tax at 12.5% on taxable income of up to EUR 12,500 and 25% on taxable income in excess of that amount and may be subject to a municipal surcharge ("*derrama*") of up to 1.5%. Withholding tax at 20% applies to interest and other investment income, 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.

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 12.5% on taxable income of up to EUR12,500 and 25% on taxable income in excess of that amount. A municipal surcharge ("*derrama*") of up to 1.5% may also be due.

There is neither wealth nor estate tax in Portugal.

### *Non-resident holders without a Portuguese permanent establishment*

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

Under the tax treaties entered into by Portugal, the withholding tax rate may be reduced to 15, 12 or 10%, 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. 4743-A/2008 (2.nd series), as rectified on 29 February 2008, published in the Portuguese official gazette, 2.nd series, n. 43, of 29 February 2008 of the Portuguese Minister of Finance and may be available for viewing at [www.portaldasfinancas.gov.pt](http://www.portaldasfinancas.gov.pt).

In the case of zero coupon Covered Bonds, the difference between the redemption value and the subscription cost is regarded as investment income and is taxed accordingly.

Income paid to an associated company of the Bank who is resident in the European Union is subject to withholding tax at 10% until 30 June 2009 and at 5% from 1 July 2009 to 30 June 2013. From the later date onwards, no withholding tax applies.

For these purposes, an “associated company of the Bank” is:

- (i) A company which is subject to one of the taxes on profits listed in Article 3 (a) (iii) of Council Directive 2003/49/EC without being exempt, which takes one of the forms listed in the Annex to that Directive, which is considered to be resident in an European Union Member State and is not, within the meaning of a double taxation convention on income conclude with a third state, considered to be resident for tax purposes outside the Community; and
- (ii) Which holds a minimum direct holding of 25% in capital of the Bank, or is directly held by the Bank in at least 25% or which is directly held in at least 25% by a company which holds at least 25% of the capital of the Bank; and
- (iii) Provided that the holding has been maintained for an uninterrupted period of at least two years. If the minimum holding period is met after the date the withholding tax becomes due, a refund may be obtained.

The associated company of the Bank to which payments are made must be the beneficial owner of the interest, which will be the case if it receives the interest for its own account and not as an intermediary, and not as an intermediary, either as a representative, a trustee or authorised signatory, for some other person.

The reduction of the withholding tax rate may take place at source or through the refund of excess withholding tax. The forms currently applicable for the reduction of withholding tax rate and for the refund of excess withholding tax where the minimum holding period is met after withholding tax becomes due were approved by Order (“*Despacho*”) n. 4727/2009 (2.nd series), published in the Portuguese Official Gazette, 2.nd series, n. 27, of 9 February 2009, and may be available for viewing at [www.portaldasfinancas.gov.pt](http://www.portaldasfinancas.gov.pt). The refund of excess withholding tax in other cases is subject to the general procedures.

Capital gains obtained on the disposal of the Covered Bonds by non-resident individuals are not subject to tax. Accrued interest qualifies as interest 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 holder is more than 25% directly or indirectly held by Portuguese resident entities or if the holder is resident in a country included in the “tax havens” list approved by Ministerial order n. 150/2004 of 13 February. If the exemption does not apply, the gains will be subject to tax at 25%. 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.

No stamp tax applies to the acquisition through gift and inheritance of Covered Bonds by an individual who is not domiciled in Portugal. Accrued interest qualifies as interest for tax purposes.

The acquisition of Covered Bonds through gift or inheritance by a non-resident legal person is subject to corporate tax at 25%. 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 neither wealth nor estate tax in Portugal.

## **2. Covered Bonds held through a centralised control system**

The regime described 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 Covered Bonds.

Nevertheless, pursuant to the Special Taxation 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”), investment income and gains on the disposal of debt securities issued by Portuguese resident entities, such as the Covered Bonds, may be exempt from Portuguese income tax, provided that the debt securities are integrated in a centralised system recognised under the Securities Code (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 domiciled in a country, territory or region subject to a clearly more favourable tax regime included in the list approved by Ministerial order n. 150/2004 of 13 February, except if they are central banks and government agencies; and
- (iii) the beneficial owners are not held, directly or indirectly, in more than 20% by Portuguese resident entities.

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 holders of Covered 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, is 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 proof of non-residence by the holders of Covered Bonds should be provided to, and received by, the direct register 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, 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 a holder of Covered Bonds is a central bank, a public law institution or an international organisation, a declaration of tax residence issued by the holder of Covered Bonds, 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 holder of Covered Bonds and its domicile; or (C) proof of non-residence, pursuant to the terms of paragraph (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 and the law of incorporation; or (B) proof of non-residence pursuant to the terms of paragraph (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 on the authenticity and validity of the documents mentioned in paragraph (iv) above, in particular that the holder 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 issued. The holder of Covered Bonds must inform the register entity immediately of any change that may preclude the tax exemption from applying.

#### **(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 are registered in an account with an international clearing system recognised by the Minister of Finance in accordance with the special regime approved by Decree-Law 193/2005 (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 holder 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. The current forms for these purposes were 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, 2.nd series, n. 45, of 3 March 2006, and may be available for viewing at [www.portaldasfinancas.gov.pt](http://www.portaldasfinancas.gov.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, of the beneficial owners, stating their address, taxpayer number (if applicable), quantity held, and legal basis for the exemption from taxation or from Portuguese withholding tax. The current forms for these purposes were approved by Notice (“*Aviso*”) n. 3714/2006 (2.nd series), published in the Portuguese official gazette, 2.nd 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 for viewing at [www.portaldasfinancas.gov.pt](http://www.portaldasfinancas.gov.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 is 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 form for these purposes was approved by Order (“*Despacho*”) n. 4980/2006 (2.nd series),

published in the Portuguese official gazette, 2<sup>nd</sup> 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 for viewing at [www.portaldasfinancas.gov.pt](http://www.portaldasfinancas.gov.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 savings income, Member States are required 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. 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).

On 15 September 2008 the European Commission issued a report to the Council of the European Union on the operation of the Directive, which included the Commission's advice on the need for changes to the Directive. On 13 November 2008 the European Commission published a more detailed proposal for amendments to the Directive, which included a number of suggested changes. The European Parliament approved an amended version of this proposal on 24 April 2009. If any of the proposed changes are made in relation to the Directive, they may amend or broaden the scope of the requirements described above.

## SUBSCRIPTION AND SALE AND SECONDARY MARKET ARRANGEMENTS

The Dealers have, in the Programme Agreement dated 23 July 2009, 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. Treasury 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 Financial Instruments and Exchange Act of Japan (Law No. 25 of 1948, as amended; the "FIEA"). 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 (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Control Law (Law No. 228 of 1949, as amended)) or to others for re-offering or re-sale, directly or indirectly, in Japan to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with the FIEA and other relevant laws and regulations of Japan.

### Public Offer Selling Restriction under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), each Dealer 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 Notes which are the subject of the offering contemplated by this Offering Circular as completed by the final terms in relation thereto to the public in that Relevant Member State



except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (a) 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;
- (b) 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 Euro 43,000,000; and (3) an annual net turnover of more than Euro 50,000,000, as shown in its last annual or consolidated accounts;
- (c) at any time to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (d) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of Notes referred to in (a) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer of Covered Bonds to the public” in relation to any Covered Bonds in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Covered Bonds to be offered so as to enable an investor to decide to purchase or subscribe for the Covered Bonds, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression Prospectus Directive means Directive 2003/71/EC and 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 qualified investors (*investitori qualificati*), as defined pursuant to Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (the **Financial Services Act**) and Article 34-ter, first paragraph, letter (b) of CONSOB Regulation No. 11971 of 14 May 1999 as amended from time to time (*Regulation No. 11971*); or
- (ii) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Regulation No. 11971.

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

- (A) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 16190 of 29 October 2007 (as amended from time to time) and Legislative Decree No. 385 of 1 September, 1993, as amended (the “**Banking Act**”);

- (B) in compliance with Article 129 of the Banking Act, as amended, 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 compliance with any other applicable laws and regulations or requirement imposed by CONSOB or other Italian authority.

For Covered Bonds with a denomination of less than EUR 50,000:

Please note that in accordance with Article 100-bis of the Financial Services Act, where no exemption from the rules on public offerings applies under (i) and (ii) above, the subsequent distribution of the Covered Bonds on the secondary market in Italy must be made in compliance with the public offer and the prospectus requirement rules provided under the Financial Services Act and Regulation No. 11971. Failure to comply with such rules may result in the sale of such Covered Bonds being declared null and void and in the liability of the intermediary transferring the financial instruments for any damages suffered by the investors.

## Portugal

In relation to the Covered Bonds each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Covered Bonds may not be and will not be offered to the public in Portugal under circumstances which are deemed to be a public offer under the Portuguese Securities Code (*Código dos Valores Mobiliários*) enacted by Decree Law no. 486/99 of 13 November, 1999 as amended unless the requirements and provisions applicable to the public offerings in Portugal are met and the registration or approval by the Portuguese Securities Exchange Commission ("*Comissão do Mercado de Valores Mobiliários*") or a recognition procedure is made with the CMVM. In addition, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that (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, 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) 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 other than in compliance with all applicable provisions of the Portuguese Securities Code, the Prospectus Regulation implementing the Prospectus Directive, and any applicable CMVM Regulations and all relevant Portuguese securities 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 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.

Each Dealer has also represented and agreed and each further Dealer will be required to represent and agree that private placements addressed by public companies ("*sociedades abertas*") or by companies issuing securities listed on a market shall be notified to the CMVM for statistic purposes.

## 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. The updates of the Programme was duly authorised by resolutions of the Board of Directors of the Issuer dated 17 July, 2008 and 21 July 2009, in accordance with the provisions of the Covered Bond Law.

### Listing

Application has been made to list the Covered Bonds on the London Stock Exchange's regulated 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.

### Significant or material change

Save as disclosed in the "Recent Development" dated 11 May, 2009 regarding first quarter 2009 results on page 111, there has been no significant change in the financial or trading position of the Group since 31 December, 2008 and there has been no material adverse change in the financial position or prospects of the Issuer since 31 December, 2008.

### Litigation

Save as set forth in paragraphs 1 to 6 below, 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.

References herein to the "Bank" shall be construed as references to the "Issuer". As mentioned in note 55 to the 2007 consolidated financial statements of the Issuer:

As mentioned in note 55 to the 2008 consolidated financial statements of the Bank.

1. "At the end of the year of 2007, the Bank received a formal notice dated 27 December 2007 informing that administrative proceeding no. 24/07/CO was being brought by the Bank of Portugal against the Bank, "*based on preliminary evidence of administrative offences foreseen in the General Framework of credit Institutions and Financial Companies (approved by Decree-Law no. 298/92, of December 31), in particular with respect to breach of accounting rules, provision of false or incomplete information to the Bank of Portugal, in particular with respect to the amount of own funds and breach of prudential obligations*".

A press release issued by the Bank of Portugal on 28 December 2007 mentioned that such administrative proceeding was brought "based in facts related with 17 off-shore entities, which nature and activities were always hidden from the Bank of Portugal, in particular in previous inspections carried out".

On 12 December 2008, the Bank was notified of an accusation under the process of administrative proceeding no. 24/07/CO instructed by the Bank of Portugal.

The Bank did not accept the charges or accusations against it reduced, and will provide defense under this process of administrative proceeding within their term, which ends on 13 March, 2009.\*

2. On 12 December 2008, the Bank was notified by the CMVM of accusation under the process of administrative proceeding no No. 41/2008.

The Bank did not accept the accusation made against it and has already provided, on 27 January 2009, defense under the process of administrative proceeding in question, having sustained a total rejection of the accusation.

3. On 21 December 2007, CMVM had addressed a notice to the Bank, indicating that it should make public disclosure thereof, which the Bank did on 23 December 2007. The notice read as follows:

*“The CMVM, pursuant to its powers, is now engaged in a supervision action on BCP (as a listed company), in order to determine the nature and the activities of several off-shore entities responsible for investments in securities issued by BCP Group or related entities. Despite the process of supervision being in progress, in particular in order to obtain a complete and final description of the situation and of the market behaviour of those entities, as well as to determine the relevant liabilities (including personal liabilities), the CMVM came to the following preliminary findings:*

- (a) The mentioned off-shore entities have constituted securities portfolios – which included almost exclusively shares of BCP – with financing obtained from Banco Comercial Português, and there is, in general, no evidence that such entities were financed for this purpose by any other significant transfer from an entity external to the BCP Group;*
- (b) It is already known that part of the debts was eliminated through the assignment of credits to third parties for a residual consideration;*
- (c) The conditions of these financings and the governance of such entities give the appearance that BCP has assumed all the risk concerning those off-shore entities, and that it had power to control the life and business of such entities;*
- (d) Thus, such transactions are in fact the financing for the acquisition of own shares not reported as such. This configuration is also present in a transaction made with a financial institution, which lead this institution to disclose a qualified shareholding, even though the economic interest and the possibility of exercising the voting rights remained within BCP;*
- (e) Pursuant to the described circumstances, it may be concluded that the information given to the authorities and to the market, in the past, was not always complete and/or true, in particular in what concerns the amount of BCP’s own funds and its owners;*
- (f) Significant market transactions made by the mentioned entities were detected, involving significant considerations; these transactions require a deeper analysis, in order to find out about possible infringements of the market rules.*

Thus, given the nature of these conclusions and the urgency of the matter, the CMVM, under article 360, no. 1, f) of the Portuguese Securities Code, asks BCP to immediately:

- (a) Inform the market about whether the financial information recently disclosed by it already reflects all the financial losses pursuant to the above mentioned situation;*
- (b) Inform about the existence of any other situations which were not disclosed, in order to allow the investors to make a properly reasoned judgment about the securities issued by BCP;*
- (c) Transcribe in its communication the full text of this CMVM notice; BCP may inform, if it deems appropriate, the fact that BCP was not yet formally heard about these conclusions.*

*The CMVM will continue the current process of supervision within its powers and with all its consequences, and will notify the appropriate authorities of any illegalities of different nature, and will further cooperate with the Bank of Portugal within the framework of Bank of Portugal’s powers.”*

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\* The Bank provided defense under this process of administrative proceeding within the relevant term, which ended on 16 March 2009 (since 24 February (Carnival) was not a business day).

4. In the process mentioned in 1. above, the Bank of Portugal charges the Bank against the practice of six administrative proceedings referred in g) and three administrative proceedings referred in r), both of article 211 of the General Framework of Credit Institutions and Financial Companies (“RGICSF”).

The administrative proceedings, in case the types of conduct listed in the accusation are demonstrated, would be the following:

- (a) *the breach of accounting rules or procedures set forth in the law or by the Bank of Portugal which does not cause a serious harm to the knowledge of the patrimonial and financial standing of the Institution constitutes an administrative offence foreseen in article 210, f), of RGICSF, punished, in the case of companies, with a fine between Euros 750 and Euros 750,000. If, on the other hand, the relevant conduct causes such serious harm, that may constitute an administrative offence foreseen in article 211, g), of RGICSF, punished, in the case of companies, with a fine between Euros 2,500 and Euros 2,494,000.*
- (b) *The (i) omission of information and communications due to the Bank of Portugal in the relevant delays; or (ii) the provision of incomplete information, constitute an administrative offence foreseen in article 210, h) (now i)), of RGICSF, punished, in the case of companies, with a fine between Euros 750 and Euros 750,000. On the other hand, the provision to the Bank of Portugal of (i) false information, or (ii) incomplete information, capable of leading to erroneous conclusions with identical or similar effect to that of the provision of false information on the matter constitute an administrative offence foreseen in article 211, r), of RGICSF, punished, in the case of companies, with a fine between Euros 2,500 and Euros 2,494,000;*

According to the accusation, each of the administrative proceedings are punished by a fine between Euros 2,493.99 and Euros 2,493,989.49, which, according to the rule of the contest of offenses foreseen in the article 19€, no. 1 and 2 of the General of the Administrative Proceedings, in case of conviction of several administrative proceedings in contest, there can only be one fine, of which the upper limit can not exceed twice the highest limit of administrative proceedings in contest.

5. In the accusation notified to the Bank in the administrative proceeding no. 41/2008 CMVM referred in 2. above, the Bank is charged against seven administrative proceeding for alleged violation of article 7. Portuguese Securities Code (“CVM”) and article 389, paragraph 1, a) of the CVM.
6. Pursuant to article 7 of the CVM, the information relating to financial instruments, securities markets, financial intermediation activities, settlement and clearing of transactions, public offers and issuers should be complete, truthful, up-to-date, clear, objective and lawful.

According to the accusation, each of the administrative proceedings are punished by a fine between Euros 25,000 and Euros 2,500,000, which, according to the rule of the contest of offenses foreseen in the article 19°, no. 1 and 2 of the General of the Administrative Proceedings, in case of conviction of several administrative proceedings in contest, there can only be one fine, of which the upper limit can not exceed twice the highest limit of administrative proceedings in contest, in the maximum amount of Euros 5,000,000.”

On 26 June 2009, Banco Comercial Português, S.A. received the notification regarding CMVM’s decision of a single fine of Euros 5.000.000, with partial suspension of Euros 2.500.000 over a 2 year period, the full fine becoming again applicable if during such 2 year period there is any infraction of the Portuguese Securities Rules and Regulations.

## 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, 11°, 1069-006, Lisbon.

The consolidated financial statements of the Banco Comercial Português Group for the financial years ended 31 December, 2007 and 31 December, 2008 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, 2007 and 31 December, 2008 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, 2007 and 31 December, 2008 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 dated 23 July 2009 and the Set of Agency Procedures dated 23 July 2009;
- (e) the Common Representative Appointment Agreement dated 4 August, 2008;
- (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](http://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 23 July 2009 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).

“**Book Entry Covered Bonds**” means any Covered Bonds issued in book entry 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 TARGET2 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 4 August, 2008 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 4 August, 2008 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.

“**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/Actual (ISDA)**” 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, calculated on a formula basis set out in Condition 4.2(D)(v);
- (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, calculated on a formula basis set out in Condition 4.2(D)(vi); and
- (vii) if “**30E/360 (ISDA)**” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis set out in Condition 4.2(D)(vii).

“**Dealers**” means ABN AMRO Bank N.V., BANCO SANTANDER, S.A., Barclays Bank PLC, Bayerische Hypo- und Vereinsbank AG, BNP Paribas, CALYON, Citigroup Global Markets Limited, Commerzbank Aktiengesellschaft, Credit Suisse Securities (Europe) Limited, Deutsche Bank Aktiengesellschaft, DZ

BANK AG, HSBC Bank plc, J.P. Morgan Securities Ltd., Merrill Lynch International, Millennium investment banking, Morgan Stanley & Co. International plc, Natixis, 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 Comercial 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 Euro 10,000,000,000 covered bonds programme established on 5 June, 2007 and updated on 4 August 2008 and on 23 July 2009 for the issuance of Covered Bonds by the Issuer as described in this Base Prospectus.

**“Programme Agreement”** means the agreement dated 23 July 2009 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.

**“Receipholders”** 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 23 July 2009 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.

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

“**TARGET2 System**” means the Trans-European Automated Real-time Gross Settlement Express Transfer 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.

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