



## **BANCO BPI, S.A.**

**(incorporated with limited liability in Portugal)**

### **€2,000,000,000 PUBLIC SECTOR BONDS PROGRAMME**

Banco BPI, S.A. (the “**Issuer**”, “**Banco BPI**” or “**BPI**”), incorporated under Portuguese law, with a fully paid up share capital of €1,293,063,324.98, represented by 1,456,924,237 ordinary shares with no nominal value, with head office at Rua Tenente Valadim, no. 284, 4100-476 Porto and registered under the sole registration and taxpayer number 501 214 534 with the Commercial Registry Office of Porto, is an authorised credit institution for the purposes of Decree-Law no. 59/2006, of 20 March (the “**Public Sector Bonds Law**”). The Public Sector Bonds (as defined below) will constitute bonds for the purposes, and with the benefit, of the Public Sector Bonds Law.

Under this €2,000,000,000 Public Sector Bonds Programme (the “**Programme**”), described in this base prospectus, dated 20 August 2020 (the “**Base Prospectus**”), as further supplemented, the Issuer may from time to time issue public sector bonds (the “**Public Sector Bonds**”) denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below).

Public Sector Bonds will be issued in registered (*nominativas*) form (the “**Registered Public Sector Bonds**”) and be represented in book-entry form (“*forma escritural*”). The maximum aggregate nominal amount of all Public Sector Bonds from time to time outstanding under the Programme will not exceed €2,000,000,000 (or its equivalent in other currencies calculated as described herein), subject to increase as described herein. Public Sector Bonds may be issued on a continuing basis to the Dealer specified and any additional Dealer appointed under the Programme from time to time by the Issuer (each a “**Dealer**” and together, the “**Dealers**”), whose 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 Public Sector Bonds being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to purchase such Public Sector Bonds.

**See the section titled “Risk Factors” for a discussion of certain risk factors to be considered in connection with an investment in the Public Sector Bonds. Prospective investors should have regard to the factors described in the section titled “Risk Factors” in this Base Prospectus.**

This document comprises a base prospectus for the purposes of Article 135-C of the Portuguese Securities Code (as amended from time to time and which was approved by Decree-Law no. 486/99, of 13 November, the “**Portuguese Securities Code**”) Article 8 of Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June (the “**Prospectus Regulation**”) and of the further relevant Portuguese laws which regulate the provision of information with respect to the issue of Public Sector Bonds of the Issuer under the Programme until no more Public Sector Bonds are continuously or repeatedly issued under the Programme, pursuant to Article no. 143(1) of the Portuguese Securities Code.

This Base Prospectus has been approved by the *Comissão do Mercado de Valores Mobiliários* (the “**CMVM**”), as Portuguese competent authority under the Prospectus Regulation and the Portuguese Securities Code. The CMVM only approves this Base Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Approval by the CMVM should not be considered as an endorsement of the Issuer or the quality of the Public Sector Bonds that are subject of this Base Prospectus. Such approval relates only to Public Sector Bonds which are to be admitted to trading on the regulated market Euronext Lisbon (“**Euronext Lisbon**”) under Directive 2014/65/EU of the European Parliament and of the Council, of 15 May, on markets in financial instruments as amended (“**MiFID II**”) and/or which are to be offered to the public in any Member State of the European Economic Area (each, a “**Member State**”) in circumstances that require the publication of a prospectus. Investors should make their own assessment as to the suitability of investing in the Public Sector Bonds.

Application has been made to Euronext Lisbon - Sociedade Gestora de Mercados Regulamentados, S.A. for the admission of Public Sector Bonds issued under the Programme to trading Euronext Lisbon, during the period of 12 months from the date of this Base Prospectus. References in this Base Prospectus to Public Sector Bonds being “**listed**” (and all related references) shall mean that such Public Sector Bonds have been admitted to trading on Euronext Lisbon. The Issuer may also issue unlisted Public Sector Bonds and/or Public Sector Bonds not admitted to trading on any market.

This Base Prospectus is valid for 12 months from its date in relation to the Public Sector Bonds, which are to be admitted to trading on a regulated market for the purposes of MiFID II in the European Economic Area. The obligation to supplement this Base Prospectus in the event of a significant new factor, material mistake or material inaccuracy does not apply when this Base Prospectus is no longer valid.

The rating of certain Series (as defined in “Terms and Conditions of the Public Sector Bonds”) of Public Sector Bonds to be issued under the Programme may be specified in the applicable Final Terms. Whether or not each credit rating applied for in relation to or assigned to a relevant Series of Public Sector Bonds will be issued by a credit rating agency established in the European Union and registered under Regulation (EC) no. 1060/2009, of 16 September, as amended from time to time (the “**CRA Regulation**”) will be disclosed in the Final Terms. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the CRA Regulation unless the rating is provided by a credit rating agency operating in the European Union before 7 June, 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration is not refused. A list of registered credit rating agencies is available on the European Securities and Markets Authority (“**ESMA**”) website at <https://www.esma.europa.eu/supervision/credit-rating-agencies/risk> (list last updated on 14 November 2019).

The Public Sector Bonds may not be a suitable investment for all investors. Each potential investor in the Public Sector Bonds must determine the suitability of that investment in light to its own circumstances. In particular, each potential investor should: (i) have sufficient knowledge and experience to make a meaningful evaluation of the relevant Public Sector Bonds, the merits and the risks of investing in the relevant Public Sector Bonds and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement; (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Public Sector Bonds and the impact such investment will have on its overall investment portfolio; (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Public Sector Bonds, including Public Sector Bonds with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the currency in which such investor’s financial activities are principally denominated; (iv) understand thoroughly the terms of the relevant Public Sector Bonds and be familiar with the behaviour of any relevant indices and financial markets; and (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Public Sector Bonds under any applicable risk-based capital or similar rules.

***Arranger***

Banco BPI

***Dealer***

Banco BPI

**This Base Prospectus is dated 20 August 2020**

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## PROHIBITION OF SALES TO EEA RETAIL INVESTORS

If the Final Terms in respect of any Public Sector Bonds includes a legend entitled “Prohibition of Sales to EEA Retail Investors”, the Public Sector Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“**EEA**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II (ii) a customer within the meaning of Directive (EU) 2016/97 of the European Parliament and of the Council of 20 January, on insurance distribution (as amended) (the “**Insurance Distribution Directive**”) where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II or (iii) not a qualified investor as defined in the Prospectus Regulation. Consequently, no key information document required by Regulation (EU) no 1286/2014 of the European Parliament and of the Council of 26 November (as amended) (the “**PRIIPs Regulation**”) for offering or selling the Public Sector Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Public Sector Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

## MIFID II PRODUCT GOVERNANCE

A determination will be made at the time of issue about whether, for the purpose of the product governance rules under EU Delegated Directive 2017/593, of 7 April (the “**MiFID Product Governance Rules**”), any Dealer subscribing for a Tranche of Public Sector Bonds is a manufacturer in respect of that Tranche, but otherwise neither the Arranger nor the Dealer nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules. The Final Terms in respect of any Public Sector Bonds will include a legend entitled “*MiFID II Product Governance*” which will outline the product approval process of any manufacturer, the target market assessment in respect of the Public Sector Bonds and which channels for distribution of the Public Sector Bonds are appropriate. Any person subsequently offering, selling or recommending the Public Sector Bonds (a “**Distributor**”) should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Public Sector Bonds (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

## BENCHMARK REGULATION

Amounts payable under the Public Sector Bonds may be calculated by reference to the Euro Interbank Offered Rate (“**EURIBOR**”) or the London Interbank Offered Rate (“**LIBOR**”), which are administered by the European Money Markets Institute (“**EMMI**”) and the ICE Benchmark Administration Limited (“**ICE**”), respectively or any other benchmark, in each case as specified in the applicable Final Terms. As at the date of this Prospectus, EMMI and ICE does appear on the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority (“**ESMA**”) pursuant to Article 36 of the Benchmarks Regulation (Regulation (EU) 2016/1011 of 8 June 2016) (the “**BMR**”).

## **ALTERNATIVE PERFORMANCE MEASURES**

This Base Prospectus and the documents incorporated by reference in this Base Prospectus contain certain management measures of performance or alternative performance measures (“**APMs**”), which are used by management to evaluate the Issuer’s overall performance. These APMs are not audited, reviewed or subject to review by the Issuer’s auditors and are not measurements required by, or presented in accordance with, International Financial Reporting Standards (“**IFRS**”). Accordingly, these APMs should not be considered as alternatives to any performance measures prepared in accordance with IFRS.

Many of these APMs are based on the Issuer’s internal estimates, assumptions, calculations, and expectations of future results and there can be no guarantee that these results will actually be achieved. Accordingly, investors are cautioned not to place undue reliance on these APMs.

Furthermore, these APMs, as used by the Issuer, may not be comparable to other similarly-titled measures used by other companies. Investors should not consider such APMs in isolation, as alternatives to the information calculated in accordance with IFRS, as indications of operating performance or as measures of the Issuer’s profitability or liquidity. Such APMs must be considered only in addition to, and not as a substitute for or superior to, financial information prepared in accordance with IFRS and investors are advised to review these APMs in conjunction with the audited consolidated annual financial statements incorporated by reference in this Base Prospectus.

The descriptions (including definitions, explanations and reconciliations) of all APMs are set out in the Annex -Alternative Performance Measures.

The Issuer believes that the description of these management measures of performance in this Base Prospectus follows and complies with the ESMA Guidelines introduced on 3 July 2016 on Alternative Performance Measures.

## OVERVIEW OF THE PROGRAMME

The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Base Prospectus and, in relation to the terms and conditions of any particular tranche of Public Sector Bonds, the applicable Final Terms.

Words and expressions defined in “Terms and Conditions of the Public Sector Bonds” shall have the same meanings in this overview.

Issuer	Banco BPI, S.A.
Legal Entity Identifier (LEI):	3DM5DPGI3W6OU6GJ4N92.
Risk Factors	There are certain risk factors that may affect the Issuer’s ability to fulfil its obligations under the Public Sector Bonds issued under the Programme. These are set out under the “Risk Factors” section and include certain specific and relevant risks related to the Issuer and the Public Sector Bonds.
Description	€2,000,000,000 Public Sector Bonds Programme.
Arranger	Banco BPI, S.A.
Dealer(s)	Banco BPI, S.A. and any additional Dealer appointed under the Programme from time to time by the Issuer.
Common Representative	BNP Paribas Trust Corporation UK Limited, in its capacity as representative of the holders of the Public Sector Bonds pursuant to Article 14 of the Public Sector Law in accordance with the Terms and Conditions and the terms of the Common Representative Appointment Agreement, having its registered office at 10 Harewood Avenue, London, NW1 6AA, United Kingdom.
Paying Agent(s)	Banco BPI, S.A. and any other paying agents named in the Agency and Payments Procedures together with any successor or additional paying agents appointed from time to time in connection with the Public Sector Bonds under the Agency and Payments Procedures.

Final Terms	The Public Sector Bonds issued under the Programme may be issued pursuant to this Base Prospectus and its associated Final Terms. The terms and conditions applicable to any particular Tranche of Public Sector Bonds will be the Terms and Conditions of the Public Sector Bonds as completed and to the extent described in the relevant Final Terms.
Size	The maximum aggregate nominal amount of all Public Sector Bonds from time to time outstanding under the Programme will not exceed €2,000,000,000 (or its equivalent in other currencies calculated as described herein), subject to increase as described in this Based Prospectus.
Issuance in Series	The Public Sector Bonds under the Programme are issued in series (each a Series) which may comprise one or more tranches (each a Tranche) of Public Sector 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.
Currency/ies	The Specified Currency (to be specified in the applicable Final Terms in relation to the Public Sector Bonds).
Maturities	Such maturities as may be agreed between the Issuer and the Dealer(s) and as indicated in the applicable Final Terms, subject to such minimum or maximum maturities as may be allowed or required from time to time by any laws or regulations applicable to the Issuer or the Specified Currency.
Specified Denomination	Public Sector will be issued in such denominations as may be specified in the applicable Final Terms, subject to compliance with all applicable legal and/or regulatory requirements, having each Public

	Sector Bond a minimum denomination of €100,000.
Method of Issue	The Public Sector Bonds will be issued in one or more Series (which may be issued on the same date or which may be issued in more than one Tranche on different dates). The Public Sector Bonds may be issued in Tranches on a continuous basis, subject to compliance with all applicable laws, regulations and directives.
Use of proceeds	The net proceeds resulting from each issue of Public Sector will be applied by the Issuer for its general corporate purposes.
Selling restrictions	There are restrictions on the distribution of this Base Prospectus and the offer or sale of Public Sector Bonds, namely in the United States, Japan and the EEA (including the United Kingdom, Italy and Portugal) (See <i>Subscription and Sale and Secondary Market Arrangements</i> ).
Form of Public Sector Bonds	The Public Sector Bonds held through accounts of Interbolsa Participants will be represented in dematerialised book-entry form (“ <i>forma escritural</i> ”) and may be registered Public Sector Bonds (“ <i>nominativas</i> ”).
Registration, clearing and settlement	The Public Sector Bonds will be held through a central securities depository (CSD) which will be the Portuguese domestic CSD, Interbolsa. The Public Sector Bonds will be registered in the relevant issue account opened by the Issuer with Interbolsa and will be held in control accounts by the Interbolsa Participants on behalf of the relevant holders. Such control accounts will reflect at all times the aggregate number of Public Sector Bonds held in the individual securities accounts opened by the clients of the Interbolsa Participants (which may include Euroclear and Clearstream, Luxembourg). The transfer of Public Sector Bonds and their beneficial interests will be made through



Interbolsa as well.

Title	Title to the Public Sector Bonds will be evidenced by book entries in accordance with the provisions of the Portuguese Securities Code, the applicable CMVM regulations and Interbolsa regulations.
Issue Price(s)	The Public Sector Bonds to be issued on or after the date hereof will be issued in a denomination per unit equal to or higher than €100,000 (or its equivalent in another currency) as specified in the relevant Final Terms.
Interest	Public Sector Bonds may be interest-bearing. Interest may accrue at a fixed rate or a floating rate depending on the Interest Basis shown and as specified in the Final Terms (see <i>Terms and Conditions of the Public Sector Bonds</i> ).
Fixed Rate Public Sector Bonds	<p>Fixed Rate Public Sector Bond may be issued depending upon the Interest Basis shown and as specified in the applicable Final Terms.</p> <p>Each Fixed Rate Public Sector 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.</p> <p>Interest will be payable in arrears on the Interest Payment Date(s) in each year up to (and including) the Maturity Date (as specified in the relevant Final Terms).</p>
Floating Rate Public Sector Bonds	<p>Public Sector may provide for interest based on floating rate, each Floating Rate Public Sector Bond (as specified in the applicable Final Terms) bears interest on its Principal Amount Outstanding from (and including) the Interest Commencement Date and such interest will be payable in arrears on either:</p> <p>(i) the Specified Interest Payment Date(s) in each year specified in the applicable Final Terms; or</p>

(ii) if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, each 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 (see *Condition 4 (Interest) of the Terms and Conditions of the Public Sector Bonds*).

Zero Coupon Public Sector Bonds

Zero Coupon Public Sector Bonds may be issued depending upon the Interest Basis shown and as specified in the applicable Final Terms (see *Terms and Conditions of the Public Sector Bonds*).

Interest period and interest rates

The length of the interest periods for the Public Sector, as applicable, and the applicable interest rate or its method of calculation may differ from time to time or as set out in the relevant Final Terms.

Listing and admission to trading

In respect of the Public Sector Bonds, which are intended to be listed, application will be made to Euronext for the admission of Public Sector Bonds issued under the Programme to trading on the regulated market Euronext Lisbon.

Status of the Public Sector Bonds

The Public Sector Bonds will be direct, unconditional and senior obligations of the Issuer and rank equally with all other public sector bonds issued or to be issued by the Issuer. The Public Sector Bonds will qualify as public sector bonds for the purposes of the Public Sector Bonds Law.

Payments

Payments of principal and interest in respect of Public Sector Bonds may only be made in Euro, United States dollar, Japanese yen and Swiss franc until such date as Interbolsa accepts registration and clearing of securities denominated in currencies other than Euro, United States dollar, Japanese yen and Swiss franc and will be (i) credited, according to the procedures and

regulations of Interbolsa, by the Paying Agent (acting on behalf of the Issuer) to the payment current-accounts held in the payment system of the Bank of Portugal by the Interbolsa Participants whose control accounts with Interbolsa are credited with such Public Sector Bonds and thereafter (ii) credited by such Interbolsa Participants from the aforementioned payment current-accounts to the accounts of the owners of those Public Sector Bonds or to the accounts with Euroclear and Clearstream Luxembourg of the beneficial owners of those Public Sector Bonds, as applicable, in accordance with the rules and procedures of Interbolsa, Euroclear or Clearstream, Luxembourg, as the case may be.

(For further reference in respect of the methods of payment, see Condition 5.1 (*Method of Payment*) of the *Terms and Conditions of the Public Sector Bonds*).

#### Final redemption

Unless previously redeemed or purchased and cancelled or extended as specified in Condition 6 (*Redemption and Purchase*) of the *Terms and Conditions of the Public Sector Bonds*, each Public Sector 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, subject to Condition 6.8 (*Extension of Maturity up to Extended Maturity Date*) of the *Terms and Conditions of the Public Sector Bonds*.

#### Taxation

All payments of principal and interest in respect of the Public Sector Bonds will be made subject to any legally applicable Tax withholding or deductions (notably in relation to residents for tax purposes in Portugal), except if any Tax withholding exemption or waiver applies, in which case such payments of principal and interest in respect of the Public Sector Bonds shall be made free and clear of, and without withholding or deduction for, Taxes

(investors being in any case required to comply with the applicable obligations). The Issuer will not be obliged to make any additional payments in respect of any such withholding or deduction imposed. In order for withholding tax not to apply the holders of the Public Sector Bonds must, inter alia, deliver certain tax certifications.

(For further information, see Condition 7 (*Taxation*) of the *Terms and Conditions of the Public Sector Bonds*).

## Rating

The long term/short term ratings currently assigned to the Issuer are Baa3/P-3 with stable outlook by Moody's, BBB / F2 with negative outlook by Fitch and BBB/A-2 with stable outlook by S&P.

As of the date of this Base Prospectus, Fitch, Moody's and S&P are established in the EU and are registered under the CRA Regulation. As such, Fitch and Moody's are included in the list of credit rating agencies published by the European Securities and Markets Authority (ESMA) on its website (at <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>) in accordance with the CRA Regulation.

The rating of Public Sector Bonds will not necessarily be the same as the rating applicable to the Issuer. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. A rating addresses the likelihood that the holders of the Public Sector Bonds will receive timely payments of interest and ultimate repayment of principal at the Maturity Date or the Extended Maturity Date, as applicable.

Public Sector Bonds issued under the Programme are expected to be rated on issue by at least one rating agency which has applied to be registered with the European Securities and Markets Authority under the CRA Regulation.

## Prescription

The Public Sector 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 thereof, subject in each case to the provisions of Condition 5 (*Payments*).

## Events of default

Pursuant to Condition 9 (*Events of Default and Enforcement*) of the *Terms and Conditions of the Public Sector Bonds*, if an Insolvency Event in respect of the Issuer occurs, and without prejudice to the specific terms and conditions established for a particular issue of Public Sector Bonds, the holders of Public Sector Bonds may approve a Resolution, by a majority of 2/3 of the Principal Amount Outstanding of the Public Sector Bonds of all Series then outstanding, to determine the serving of an Acceleration Notice, in which case all outstanding Public Sector Bonds shall immediately become due and payable each at their Early Redemption Amount together with accrued interest.

In this precise event, the holders of Public Sector Bonds enjoy, under the Public Sector Bonds Law, a special creditor privilege over the Cover Pool (including the 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 Public Sector Bonds.

(For further information, please refer to Condition 9 (*Events of Default and Enforcement*) of the *Terms and Conditions of the Public Sector Bonds*).

## Notices

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

of Public Sector Bonds throughout the EU and shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made, as provided above.

All notices regarding the Public Sector Bonds shall comply with the applicable Portuguese law requirements, notably the CMVM's Regulation no. 5/2008, of 15 October, as amended from time to time.

#### Further issues

The Issuer shall be at liberty from time to time without the consent of the holders of Public Sector Bonds to create and issue further securities with the same terms and conditions of the Public Sector 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 Public Sector Bonds of such Series.

#### Governing law

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

## **RISK FACTORS**

*The Issuer believes that the following factors may significantly affect its ability to fulfil its obligations under Public Sector 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.*

*The Issuer believes that the factors described below represent the principal risks inherent in investing in Public Sector Bonds issued under the Programme, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with any Public Sector Bonds may be jeopardised by other causes which may not be considered significant risks by the Issuer based on information currently available or which the Issuer may not currently be able to anticipate. 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.*

*Consequently, the risks and uncertainties discussed below are those that the Issuer views as material, specific and relevant for an investor to make an informed decision and are supported by the content of this Base Prospectus, but these risks and uncertainties are not the only ones faced by it. Emerging risks and uncertainties, including risks that are not known to the Issuer at present or that the Issuer currently deems immaterial, may also arise or become material in the future, which could lead to a decline in the value of the Public Sector Bonds and a loss of part or all of the investment made by any Public Sector Bond holder.*

*In addition, factors which are material for the purpose of assessing the market risks associated with Public Sector Bonds issued under the Programme are also described below.*

*In particular, potential Public Sector holders are alerted to the statements under "Taxation" regarding the tax treatment in Portugal of income in respect of Public Sector Bonds. Prospective investors must seek their own advice to ensure that they comply with all applicable procedures and to ensure the correct tax treatment of their Public Sector Bond. Capitalised terms but not otherwise defined in this risk factors section shall have the meanings given to them under "Terms and Conditions of the Public Sector Bonds". The risk factors have been organised into the following categories:*

- Risk Factors Relating to the Issuer:
  - Risks relating to the Economic and Financial Environment;
  - Risks relating to the Issuer's Business;
  - Legal and Regulatory Risks;
- Risk Factors Relating to the Public Sector Bonds:
  - Risks relating to the Nature of the Public Sector Bonds;
  - Risks relating to Tax and other Relevant Laws;
  - Risks relating to the Market generally;
  - Risks relating to the Structure of a particular issue of Public Sector Bonds;
  - Risks Specific to Cover Pool.

The Issuer has assessed the relative materiality of the risk factors based on the probability of their occurrence and the expected magnitude of their negative impact. The order of the categories does not imply that any category of risk is more material than any other category. Within each category, the most material risks, in the assessment of the Issuer, are set out first.

## **1. RISK FACTORS RELATING TO THE ISSUER**

### **1.1. Risks relating to the Economic and Financial Environment**

#### ***1.1.1. COVID-19 Pandemic and potential similar future outbreaks may have an adverse effect on the Issuer's ability to make payments***

Different regions of the world have, from time to time, experienced virus outbreaks. A widespread global pandemic of the severe acute respiratory syndrome coronavirus 2 (commonly known as SARS-CoV-2) and of the infectious disease COVID-19, caused by SARS-CoV-2, is currently taking place. Given that this virus and the conditions it causes are relatively new, a vaccine and effective cure is yet to be developed.

Although COVID-19 is still spreading and the final implications of this pandemic are difficult to estimate at this stage, it is clear that it will have significant consequences and will affect the lives of a large portion of the global population. As such, the Issuer may be adversely affected by the wider macroeconomic effects of the ongoing COVID-19 pandemic and any potential similar future outbreaks, seeing as it is very likely that this pandemic will have a substantial negative effect on Portugal and the Portuguese market.

At present, the pandemic has led to the state of emergency, often followed by a state of calamity, being declared in various countries, including Portugal, as well as the imposition of travel restrictions, including the closure of land borders between Portugal and Spain and the restriction of flights to and from the European Union, the establishment of quarantines and the temporary shutdown of various institutions and companies, including the adoption by the Issuer and by other credit institutions and companies in Portugal of an unprecedented measure, namely that of having all, or the vast majority, of its employees now working remotely.

Therefore, the ongoing COVID-19 pandemic and any potential similar future outbreaks may have a significant adverse effect on the Issuer.

In addition, Law no. 1-A/2020, of 19 March ("**Law 1-A/2020**"), as amended, implements exceptional and temporary measures to tackle the epidemic caused by coronavirus SARS-CoV-2 and COVID-19. On 26 March 2020, the Portuguese Government approved Decree-Law no. 10-J/2020, of 26 March, as amended, which establishes a temporary legal moratorium on certain financing agreements with a view to protecting the liquidity of companies and families (the "**Temporary Legal Moratorium**"). This regime, complemented by Decree-Law no. 26/2020, of 16 June, entered into force on 27 March 2020 and will be in force until 31 March 2021. It includes, in relation to credit operations granted by financial institutions (excluding, among others, credit or financing for the purchase of securities or the acquisition of positions in other financial instruments), (i) a prohibition of revocation, in whole or in part, of credit lines and loans, in the amounts contracted, from 27 March 2020 until 31 March 2021, (ii) an extension, for a period equal to the term of the measure, of all credits with payment of principal at the end of the contract in force as at 27



March 2020, together with all its associated elements, including interest, guarantees, notably those provided by the way of insurance or securities; and (iii) suspension, from 27 March 2020 until 31 March 2021, in relation to credits with partial instalments or other cash amounts payable, of payments of principal, rents and interest due until 31 March 2021, with the respective contractual payment plan being automatically extended, for a period equal to that of the suspension, in order to ensure that there are no charges other than those which may derive from the variability of the benchmark interest rate underlying the respective contract, and with all the elements associated with the respective contracts, including guarantees, also being extended.

The Issuer<sup>1</sup> approved 73.1 thousand moratoria requests on €5.7 billion loans: mortgage loans (31.5 thousand approved requests on €2.6 billion loans); consumer and car loans (23.8 thousand approved requests on €373 million loans); corporate loans (17.9 thousand approved requests on €2.7 billion loans).

Additionally, following the issue by the European Banking Authority (“**EBA**”) on 2 April 2020 of guidelines on public and private moratoria on loan operations in the light of the COVID-19 pandemic (EBA/GL/2020/02), Portuguese Banking Association (“**APB**” *Associação Portuguesa de Bancos*) began drafting an interbank protocol, with a view to defining general, transversal, harmonised conditions for private moratoria, which could be afforded similar prudential and accounting treatment to that allowed for legislative moratoria. This process, in the course of which the Competition Authority was consulted, resulted in the signing of a protocol. Its annexes define the general conditions for two private moratoria, both of which are for natural persons, who may be residents or non-residents in Portugal. One covers non-mortgage loans (e.g. personal or car loans) and the other mortgage loans (the “**Protocol**”).

The Protocol, which was signed by the banks that are members of the APB Board<sup>2</sup> and have committed to making the two types of moratorium available to their customers, is also open to other APB member and non-member credit institutions that have their headquarters or a branch office in Portugal. Any other banks that subscribe to the protocol will be able to offer their customers both types of moratorium, or just one.

The concrete terms for processing and implementing the moratoria will be defined by each institution. They will also define the response times, which will depend, amongst other factors, on the volume of requests for moratoria submitted by customers.

This sector-specific initiative comes in addition and is complementary to the legislative moratorium instituted by Decree-Law 10-J/2020 of 26 March and demonstrates the banks’ firm commitment to providing greater support and helping to mitigate the effects of COVID- 19 on families. The Temporary Legal Moratorium, and where applicable the Protocol, may also affect regular payment under the assets in the Cover Pool as, if requested by borrowers whose loans are included in the Cover Pool, the respective contractual payment plan is automatically extended for a period equal to the term of the measure.

These exceptional circumstances and the wide effects thereof, together with the measures taken from time to time by the Portuguese Government or adopted by the Issuer at its own initiative to address this situation,

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<sup>1</sup> Source: Issuer’s first half 2020 consolidated results presentation (unaudited).

<sup>2</sup> Banco BPI, S.A., Banco Comercial Português, S.A., Banco de Investimento Global, S.A., Banco Montepio, Banco Santander Totta, S.A., Caixa Central - Caixa Central de Crédito Agrícola Mútuo, CRL, Caixa Geral de Depósitos, S.A., Novo Banco, S.A.

notably those relating to moratoria in respect of loans granted to individuals and companies permitting borrowers to postpone regular payments under their loans for certain periods, to the extent applicable, may generally affect the capacity of the Issuer to carry out its business as normal. It is not possible at this stage to assess all specific measures that will be implemented to curb the effects of the COVID-19 pandemic and the relevant impacts such measures will have on the Issuer.

***1.1.2. Risks arising from unfavourable global economic conditions may have a corresponding effect on the Issuer's business, results of operations and financial condition***

The deterioration of the European economy as a whole or of the individual countries remains a risk that could adversely affect the cost and availability of funding for Portuguese and European companies, including the Issuer and its Group.

In particular, the COVID-19 pandemic that unfolded in Europe since early 2020, poses unprecedented health, economic, and financial stability challenges. Following the COVID-19 outbreak, the prices of risk assets collapsed and market volatility increased, while expectations of widespread defaults led to a surge in borrowing costs. According to the IMF<sup>3</sup>, several factors amplified asset price moves: previously overstretched asset valuations, pressures to unwind leveraged trades, dealers' balance-sheet constraints, and a deterioration in market liquidity. Emerging market economies experienced the sharpest reversal of portfolio flows on record. As a result, financial conditions tightened at an unprecedented speed. Decisive monetary, financial, and fiscal policy actions—aimed at containing the fallout from the pandemic — managed to stabilize investor sentiment since late March–early April, with markets paring back most of their losses.

Despite the strong and powerful official response, both by governments and central banks, the risks and uncertainty are still very high. At the sanitary level, despite all the global efforts to find a vaccine or treatment, it is still uncertain when this will be happen. Additionally, there is the risk of a second wave of infections that, depending on its gravity, might eventually mean that further lockdowns or restrictions will be needed. Finally, financial instability may eventually return. According to the IMF, a further tightening of financial conditions may expose more “cracks” in global financial markets and test the resilience of financial institutions. Asset managers may face further outflows and may be forced to sell assets into falling markets. Distress may rise among leveraged firms and households. Emerging and frontier markets may face challenging external funding conditions, rising rollover risks, and increased incidence of debt restructurings. Although banks have more capital and liquidity than in the past, have been subject to stress tests, and are supported by central bank liquidity provision, their resilience may be tested in some countries in the face of large market and credit losses. Wide-ranging fiscal, monetary, and financial policies, as well as strong international cooperation, remain essential to safeguard economic and financial stability and to prevent the emergence of adverse macro-financial feedback loops.

Furthermore, other factors or events may impact the Portuguese, European and global economic conditions, such as the trade war between the United States and China, which started in 2018 and currently continues

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<sup>3</sup> Source: IMF – Global Financial Stability Report, April 2020.

as a result of the tariffs imposed on several products and the subsequent retaliation; renewed fears of exit of countries from the Eurozone; heightened geopolitical tensions (such as the escalade of hostilities between the United States and Iran); acts of terrorism; natural disasters or other similar events outside the Issuer's control. The United Kingdom formally left the European Union on 31 January 2020, but the terms of the new relationship are still undefined and are expected to be negotiated until the end of December 2020. One cannot be ruled out is the possibility of the Common Representative be prevented from acting in such capacity taking into account that it currently acts in the quality of representative of investors based in the European Union. The turmoil caused by the pandemic could lead to protracted negotiations therefore contributing to an increased uncertainty around the new relationship of the United Kingdom with the EU countries, notably regarding a new free trade agreement. As the United Kingdom is one of the main Portuguese trading partners (both in terms of goods and services), any uncertainty relating to such future trade conditions could impact negatively the performance of the Portuguese exports, which could have an adverse effect on the Bank's business.

Factors such as interest rates, securities prices, credit spreads, liquidity spreads, exchange rates, consumer spending, changes in client behaviour, business investment, real estate values and private equity valuations, government spending, inflation or deflation, the volatility and strength of the capital markets, political events and trends, terrorism, pandemics and epidemics or other widespread health emergencies, all impact the economy and financial markets, whether direct or indirect, such as by increasing sovereign debt of certain countries which may result in increased volatility and widening credit spreads, which could in turn have a material adverse effect on the Issuer's business, results and financial condition and ability to access capital and liquidity on financial terms acceptable to the Issuer.

These factors, among other things, may restrict the European economic recovery and the global economy, with a corresponding effect on the Issuer's business, results of operations and financial condition.

### ***1.1.3. Economic activity in Portugal may adversely affect the business and performance of the Issuer***

As the Issuer currently conducts the majority of its business in Portugal, its performance is influenced by the level and cyclical nature of business activity in Portugal, which is in turn affected by both domestic and international economic and political events. Thus, a decline in Portuguese economic activity may have a material effect on the Issuer's financial condition and on the results of its operations. A deterioration in Portugal's international economic performance and/or uncertainty regarding implemented political measures may also have a material effect on the Issuer's financial condition and on the results of its operations.

A weaker international economic outlook, together with high geopolitical uncertainty and trade tensions, pose additional challenges to the stability of the global financial system and to the Portuguese economy. The risks identified may interact together and, should they materialise, mutually enhance one another, having a negative impact, namely, on (i) the Issuer's cost of funding and its ability to issue Public Sector Bonds under the Programme; and (ii) the Portuguese economy, which, in turn, would have a negative impact on the business of the Issuer.

The Issuer's business activities (including mortgage lending activities) are dependent on the level of banking and financial services required by its customers and borrowers in Portugal which are, in turn, influenced by the evolution of economic activity, saving levels, investment and employment. In particular, levels of borrowing are heavily dependent on customer confidence, employment trends, and the condition of the Portuguese economy and market interest rates.

Several challenges persist as private and public debt levels remain high and productivity remains structurally low, preventing the country to rapidly converge towards European peers' living standards.

The current economic environment is still a source of challenge for the Issuer, and may adversely affect its business, reputation, financial condition and results of operations or prospects. The adverse macroeconomic conditions in Portugal have significantly affected, and may continue to adversely affect, the behaviour and the financial situation of the Issuer's clients, and consequently, the supply and demand of the products and services that the Issuer has to offer. In particular, limited growth in customer loans is expected in the coming years, which may make it difficult for the Issuer to generate enough interest income to maintain its net interest margin. Additionally, an environment of extremely low or even negative interest rates is expected to continue, which limits the Issuer's ability to increase net interest margin and profitability, given that the majority of the Issuer's loan portfolio is composed of floating interest rate loans.

Although, since 2015, the Portuguese economy has shown features that seem to support expectations of sustained growth in economic activity and the degree of openness of the economy substantially increased since 2015, the COVID-19 pandemic has interrupted the positive cycle, causing GDP to contract 3.8 per cent. in 1Q2020<sup>4</sup>. According to forecasts by the major international institutions, economic activity will probably contract close to 10 per cent. in 2020 due to the expected financial and economic impacts of the COVID-19 pandemic (in relation to COVID-19, see the risk factor entitled "The COVID-19 pandemic and potential similar future outbreaks may have an adverse effect on the Issuer's ability to make payments" above), which may have further material adverse effects on the Portuguese economy as market risks remain high and uncertainties persist as to the financing conditions Portugal will face in the future. Portuguese sovereign yields may suffer from increased volatility, which might in turn have a negative impact on the funding conditions for the Issuer.

The macroeconomic conditions in Portugal could affect the behaviour and the financial condition of the Issuer's clients and, consequently, the demand for the products and services that the Issuer offers. In particular, the evolution of the COVID-19 pandemic poses significant risks of an increased unemployment rate, low profitability, and a steep increase in the level of company indebtedness, having longer-term adverse effects on the global economy and financial markets at a time when the monetary and other policy measures to be taken by the ECB in this context cannot be yet predicted with a high degree of certainty.

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

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<sup>4</sup> Source: Instituto Nacional de Estatística (INE).

**1.1.4. *The impact of the financial and credit crisis may have an adverse effect on the business, reputation, financial condition and results of operation or prospects of the Issuer***

The capital and credit markets have experienced several periods of volatility and disruption, since 2008. The market dislocations have led to the failure of several substantial financial institutions, causing widespread liquidation of assets and further constraining the credit markets. These asset sales, along with asset sales by other leveraged investors, including some hedge funds, have driven down prices and valuations across a wide variety of traded asset classes. Asset price deterioration has a negative effect on the valuation of many of the asset categories represented on the balance sheet of the Issuer, and reduces its ability to sell assets at prices deemed acceptable. If current levels of market volatility worsen significantly, the Issuer's ability to access the capital markets and obtain the necessary funding to support its business activities on acceptable terms may be adversely affected. Among other things, an inability to refinance assets on the balance sheet or maintain appropriate levels of capital to protect against deteriorations in their value could force the Issuer to liquidate assets held at depressed prices or on unfavourable terms.

These factors could have an adverse effect on the business, reputation, financial condition and results of operation or prospects of the Issuer.

**1.2. Risks relating to the Issuer's Business**

**1.2.1. *The inability of clients and other counterparties to meet their financial obligations or the Issuer's inability to fully enforce its rights against counterparties could have a material adverse effect on the Issuer's results***

The Issuer is exposed to the credit risk of its customers, to concentration risk in its credit exposure and to the credit risk of its other counterparties. Risks arising from changes in credit quality and the repayment of loans and amounts due from borrowers and counterparties are inherent in a wide range of the Issuer's businesses. Adverse changes in the credit quality of the Issuer's borrowers and counterparties or a general deterioration in Portuguese or global economic conditions, or arising from systemic risks in financial systems, could affect recovery and, accordingly, the value of the Issuer's assets and require an increase in the Issuer's provision for credit impairment and other related provisions, and accordingly would have a material adverse effect on the financial condition and capital position of the Issuer and/or the Group and on the results of the Issuer and/or the Group's operations. In addition, the Issuer is subject to the risk that its rights against third parties may not be enforceable in all circumstances. The deterioration or perceived deterioration in the credit quality of third parties whose securities or obligations the Issuer holds could result in losses and/ or adversely affect its ability to rehypothecate or otherwise use those securities or obligations for liquidity purposes. The termination of contracts and the foreclosure on collateral may subject the Issuer to claims. Bankruptcies, downgrades and disputes with counterparties as to the valuation of collateral tend to increase in times of market stress and illiquidity. Any of these developments or losses could materially and adversely affect the Issuer's business and results. As at 31 December 2019, the Issuer's total credit risk

exposure was €30,019 million<sup>5</sup> (€29,721 million as at 31 December 2018). The balance of Non-Performing Exposures (“NPEs”) amounted to €763 million as at 31 December 2019<sup>6</sup>, representing 2.5 per cent. of the Issuer’s gross credit exposure (EBA criteria).

### ***1.2.2. Market Risk faced by the Issuer could have a material adverse effect on the Issuer’s results***

The Issuer’s businesses by their nature, do not produce predictable earnings and are materially affected by conditions in the global financial markets and economic conditions generally, both directly and through their impact on client activity levels and creditworthiness.

Market risk reflects the potential loss that can be registered in a given asset portfolio as a result of changes in the market interest and exchange rates and/or in the market prices of the various financial instruments which comprise that asset portfolio, taking into account the correlation and volatilities between those assets.

Risk analysis and management is performed on an integrated basis, involving the whole Group, by BPI’s risk division.

It is difficult to predict with accuracy changes in economic or market conditions and to anticipate the effects that such changes could have on the Issuer’s financial condition and results of operations.

The most significant market risk the Issuer faces is the interest rate risk. Changes in interest rate levels, yield curves and spreads may affect the interest rate margin realised between lending and borrowing costs. The Issuer has implemented risk management methods intended to mitigate and control this and other market risks, and exposure to such risks is constantly measured and monitored. However, it is difficult to predict with accuracy changes in economic or market conditions and to anticipate the effects that such changes could have on the Issuer’s business activity, financial condition and on the results of its operations.

A significant downward movement in global capital markets could have an adverse impact on activity, results and on the value of the assets comprising the Issuer’s investment portfolio, as well as on the value of the assets that comprise its pension fund portfolio. If the value of the assets in the Issuer’s pension fund deteriorates, the Issuer may be required to make additional contributions to the fund and, consequently, this may have a negative impact on the Issuer’s ability to allocate its net profit to the development of its business activity.

The impact of a change in interest rates could have an adverse effect on the Issuer’s profit and loss and/or net interest income. As at 31 December 2019, a decrease in interest rates by 2 percentage point would have led to a decrease in the expected financial margin of the bank portfolio of approximately 13.7 per cent.

### ***1.2.3. Implications of a negative EURIBOR on credit agreements for consumers relating to residential real estate property***

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<sup>5</sup> Source: Issuer’s 2019 Report (audited).

<sup>6</sup> Source: Issuer’s 2019 Report (audited).

The Portuguese Parliament has approved a law under which banking institutions are obliged to reflect negative index interest rates in the calculation of loan interest rates in consumer and residential loan agreements. Law 32/2018, of 18 July (the “**Negative Interest Rate Law**”), amends Decree-Law no. 74-A/2017, of 23 June (the “**Residential Loans Law**”), which partially transposed EU Directive 2014/17 of the European Parliament and of the Council of 4 February, on credit agreements for consumers relating to residential immovable property (the “**Residential Loans Directive**”). The Negative Interest Rate Law establishes that negative index interest rates have to be deducted from the principal amounts of outstanding debts. This law also offers banks the possibility of attributing their clients a credit corresponding to the negative interest rate, which may subsequently be set-off against positive interest rates.

The Issuer has decided to apply the first option, i.e., to deduct the negative index interest rates from the principal amounts of outstanding debts.

The Negative Interest Rate Law applies to loans which are currently in place, irrespective of specific contractual clauses.

The Issuer cannot predict how this law may affect Issuer results. This may negatively affect the Issuer’s business, financial condition and results of operation or prospects.

***1.2.4. Operational Risks faced by the Issuer such as systems disruptions or failures, breaches of security, cyber-attacks, human error, changes in operational practices, inadequate controls including in respect of third parties with which the Issuer does business, may adversely impact its reputation, business and results***

Operational risk represents the risk of losses or of a negative impact on the relationship with clients or other stakeholders resulting from inadequate or negligent application of internal procedures, or from people behaviour, information systems, or external events. Operational risk also includes the business/strategic risk (i.e., the risk of losses through fluctuations in volume, business, earnings, prices or costs) and legal risk (i.e. the risk of losses arising from non-compliance with the regulations in force or resulting from legal action).

The Issuer's business is dependent on its ability to process a very large number of transactions efficiently and accurately. Operational risk and losses can result from fraud, errors by employees, failure to document transactions properly or to obtain proper internal authorisation, failure to comply with regulatory requirements and conduct of business rules, equipment failures (including due to a computer virus or a failure to anticipate or prevent cyber-attacks or other attempts to gain unauthorised access to digital systems for purposes of misappropriating assets or sensitive information, corrupting data, or impairing operational performance, or security breaches by third parties), natural disasters or the failure of external systems such as, for example, those of the Issuer's suppliers or counterparties.

In addition, the Issuer and its activities are increasingly dependent on highly sophisticated information technology (IT) systems. IT systems are vulnerable to a number of problems, such as software or hardware malfunctions, computer viruses, hacking and physical damage to vital IT centres. IT systems need regular upgrading and banks, including the Issuer, may not be able to implement necessary upgrades on a timely basis or upgrades may fail to function as planned. Furthermore, failure to protect financial industry operations from cyberattacks could result in the loss or compromise of customer data or other sensitive

information. A breach of sensitive customer data, such as account numbers, could have a significant reputational impact and significant legal and/or regulatory costs for the Issuer. These threats are increasingly sophisticated and any failure to execute the Issuer's risk management and control policies successfully, particularly, any loss in the integrity and resilience of key systems and processes, data thefts, cyber-attacks, denial of service attacks or breaches of data protection requirements, may adversely affect the Issuer's business, reputation, financial condition and results of operation or prospects.

The Issuer's risk and exposure to these matters remains heightened, namely during current COVID-19 pandemic, because of the evolving nature and complexity of these threats from cybercriminals and hackers, its plans to continue to provide internet banking and mobile banking channels, and its plans to develop additional remote connectivity solutions to serve its customers. The Issuer may incur increasing costs in seeking to minimize these risks and could be held liable for any security breach or data loss.

### ***1.2.5. Liquidity risk faced by the Issuer which may depend on the ECB for funding***

Liquidity risk reflects the risk of the inability of the Issuer to fulfil its payment obligations upon maturity without significant losses arising from a deterioration of the financing conditions (financing risk) and/or from the sale of its assets for a value below market values (market liquidity risk). The Issuer's practices reflect the utilisation of diversified financing sources, focusing on stable sources, in particular deposits, as well as the maintenance of highly liquid assets, which comply with the ECB's eligibility criteria.

The ECB currently makes funding available to European banks that satisfy certain conditions, including pledging eligible collateral. As of 30 June 2020, the Issuer had a portfolio of available assets eligible for obtaining additional funding from the ECB, totaling €5.6 billion.

The Issuer continuously tracks the evolution of its liquidity, monitoring incoming and outgoing funds in real time. Projections of short and medium term liquidity are carried out in order to help plan the funding strategy in the monetary and capital markets. Total funding obtained by the Issuer from the ECB amounted to €4.4 billion at the end of June 2020, corresponding entirely to funds raised under the TLTRO (Targeted Longer-term Refinancing Operations).

In March 2019, the ECB announced that a new series of quarterly targeted longer-term refinancing operations ("**TLTRO-III**") would be launched, starting in September 2019 and ending in March 2021, each with a maturity of two years in order to help preserve favourable bank lending conditions and the smooth transmission of monetary policy. On 12 March 2020, in the context of the spread of the coronavirus (see the risk factor entitled "The COVID-19 pandemic and potential similar future outbreaks may have an adverse effect on the Issuer's ability to make payments" above), the ECB further announced the easing of conditions for TLTRO III operations. The more favourable conditions are aimed at supporting bank lending to those most affected by the pandemic, particularly households and small and medium-sized enterprises. The eased conditions include:

- a) lower interest rates from June 2020 to June 2021 for all TLTRO III operations outstanding during that period;
- b) raised borrowing allowance; and



- c) removal of bid limit per operation on all future operations.

On 18 March 2020, the ECB announced its decision to launch a temporary asset purchase programme of private and public sector securities of up to €750,000,000,000 to protect monetary policy transmission in the Eurozone (the “**Pandemic Emergency Purchase Programme**” or “**PEPP**”). Purchases under PEPP will be conducted until the end of 2020. The ECB also announced the expansion of the range of eligible assets under the corporate sector purchase programme (“**CSPP**”), which now includes non-financial commercial paper of sufficient credit quality.

On 7 April 2020, the ECB further announced the relaxation of collateral eligibility requirements for participation in liquidity providing operations, including TLTRO III operations, such as:

- a) temporary increase in the maximum share of unsecured debt instruments issued by credit institutions;
- b) waiver of the minimum credit quality requirement for marketable debt instruments issued by Greece for acceptance as collateral in Eurosystem credit operations, subject to specific margin assessments; and
- c) temporary increase in its risk tolerance level in credit operations through a general reduction of collateral valuation haircuts.

On 30 April 2020, the ECB decided to further ease TLTRO III operations, notably by reducing the interest rate on these operations from June 2020 to June 2021. The ECB also introduced a series of non-targeted pandemic emergency longer-term refinancing operations (“**PELTROs**”) – seven refinancing offerings commencing in May 2020 and maturing from July to September 2021.

Bearing in mind the measures announced from 12 March 2020 are temporary and specifically aimed at tackling the impact of the COVID-19 pandemic on the real economy, the duration, extent and existence of ECB liquidity support more broadly cannot be predicted. If it were to be withdrawn or reduced, the Issuer would need to seek alternative sources of funding, which it may not be possible, whether on equally favourable cost terms or at all.

The refinancing needs for medium and long-term debt up until the end of 2021 are fully covered by the redemptions of the bonds portfolio.

The inability of the Issuer, to anticipate and provide for unforeseen decreases or changes in funding sources could have consequences on the Issuer’s ability to meet its obligations when they fall due.

On 4 June 2020, the ECB decided to increase the Pandemic Emergency Purchase Programme by €600 billion to a total of €1,350 billion.

***1.2.6. The Issuer operates in highly competitive markets, including its home market, it may not be able to increase or maintain its market share, which may have an adverse effect on its results***

Structural changes in the Portuguese economy over the past several years have significantly increased competition in the Portuguese banking sector.

The Issuer faces intense competition in all of its areas of operation (including, among others, banking,

investment banking, specialised credit and asset management). The competitors of the Issuer in the Portuguese market are Portuguese commercial banks, savings and investment banks and foreign banks that entered the Portuguese market.

The principal competitors of the Issuer in the banking sector (ranking in terms of assets as at 31 December 2019) are Banco Santander Totta, Caixa Geral de Depósitos, the Millennium BCP and the Novo Banco.

Mergers and acquisitions involving the largest Portuguese banks have resulted in a significant concentration of market share.

Competition could also increase due to new entrants (including non-bank and financial technology competitors) in the markets in which the Issuer operates that may have new operating models that are not burdened by potentially costly legacy operations and that are subject to reduced regulation. New entrants may rely on new technologies, advanced data and analytic tools, lower cost to serve, reduced regulatory burden and/or faster processes in order to challenge traditional banks. Developments in technology have also accelerated the use of new business models and the Issuer may not be successful in adapting to this pace of change or may incur significant costs in adapting its business and operations to meet such changes. In particular, the emergence of disintermediation in the financial sector resulting from new banking, lending and payment solutions offered by rapidly evolving incumbents, challengers and new entrants, in particular with respect to payment services and products (e.g. Fintechs), and the introduction of disruptive technology, may impede the Issuer's ability to grow or retain its market share and impact its revenues and profitability.

There is no assurance that the Issuer will be able to compete effectively in some or all segments in which it operates, or that it will be able to maintain or increase the level of its results of operations.

Additionally, the business, earnings and financial condition of the Issuer have been affected by the crisis in the global financial markets and the global economic outlook. The earnings and financial condition of the Issuer have been, and their respective future earnings and financial condition are likely to continue to be, affected by depressed asset valuations resulting from poor market conditions. The actual or perceived failure or worsening credit of other financial institutions and counterparties could adversely affect the Issuer.

#### ***1.2.7. Credit ratings are not recommendations and ratings may be lowered, withdrawn or qualified***

One or more independent credit rating agencies may assign credit ratings to the Issuer. In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). Certain information with respect to the credit rating agencies and ratings will be disclosed in the Final Terms.

A downgrade of the Issuer's credit ratings (or announcement of a negative ratings watch) may also limit its ability to raise funding or capital. Moreover, actual or anticipated changes in the Issuer's credit ratings or the credit ratings of the Public Sector Bonds (if applicable) generally may affect the market value of the Public Sector Bonds. In addition, ratings assigned to the Public Sector Bonds (if applicable) may not reflect the potential impact of all risks related to the transaction, the market or any additional factors discussed in this Base Prospectus and other factors may affect the value of the Public Sector Bonds. In addition, a downgrade or potential downgrade of Portugal's sovereign rating or a change in rating agency methodologies relating to systemic support provided by Portugal could negatively affect the perception by ratings agencies of the Issuer's rating. There can also be no assurance that the rating agencies will maintain the Issuer's current ratings or outlooks or those of Portugal. Furthermore, the negative economic impact which may be caused by events such as certain meteorological conditions, natural disasters, fires or widespread health crises or the fear of such crises (such as COVID-19) may result in downgrades to the ratings assigned to the Issuer. A reduction in the Issuer's credit ratings would increase its costs of funding and could have a materially adverse effect on the Issuer and/or the Group's business, reputation, financial condition and results of operation or prospects.

#### ***1.2.8. International Financial equity holdings and currency risk***

The Issuer holds financial investments in two African banks: 48.1 per cent. stake in Banco de Fomento.

Angola (BFA) capital, which operates in commercial banking in Angola and a 35.7 per cent. stake in Banco Comercial e de Investimentos (BCI), which operates in commercial banking in Mozambique.

The Issuer's international equity holdings are exposed to the risk of adverse political, governmental or economic developments in the countries in which it operates. These factors could have a material adverse effect on the Issuer's financial condition, business and its results of operations.

In addition, international equity holdings are exposed to foreign exchange risk, which is reflected mainly in the statements of income and in the balance sheets of BFA and BCI. It is relevant for these purposes the changes in the exchange rates of local currencies against the euro and in the exchange rate of the U.S. dollar against the euro, due to the high use of the U.S. dollar in these economies, which explains that a significant share of business customer is expressed in U.S. dollars.

Consequently, even if the amount of revenues, costs and profits of the Issuer's Group remain unchanged in local currency, changes in exchange rates may affect the amount of income, costs and profits declared in the statement of income of the Issuer's Group.

The currency exposure of the Issuer results mainly from the banking activity of BFA in Angola, but also, although to a much lesser extent, the activity of BCI in Mozambique. The currency of Angola is the Kwanza, but the high use of the U.S. dollar in the Angolan economy explains that a considerable share of business with clients of BFA is expressed in U.S. dollars.

A substantial portion of revenue and costs are thus expressed in U.S. dollars or indexed to it.

If the value of the euro was to rise significantly against other currencies, especially the U.S. dollar and the Kwanza, the values of equity method consolidated income expressed in these currencies would translate into relatively lower values when converted to euros.

Risk of changes in the organization of partnerships may adversely affect the business and activities of the Issuer's Group

There are some activities of the Issuer's Group which are partially related to partnerships in various activities with other companies that are not under the control of the Issuer's Group, in particular the activities of bancassurance. These activities depend in part on such partners which the Issuer's Group does not control. A change in any of these partnerships may adversely affect the business and activities of the Issuer's Group.

### **1.3. Legal and Regulatory Risks**

#### ***1.3.1. The Issuer is subject to substantial regulation, as well as regulatory and governmental oversight Adverse regulatory developments or changes in government policy could have a material adverse effect on its business, results of operations and financial condition***

The Issuer is subject to rules and regulations related to the prevention of 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 Issuer believes that its current anti-money laundering and anti-terrorism financing policies and procedures are adequate to ensure compliance with applicable legislation, the Issuer cannot ensure 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 reputational, legal and financial consequences, which could have a material and adverse effect on the Issuer's business, financial condition or results of operations.

On 25 May 2018, Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April (the "**General Data Protection Regulation**") entered into force. Being a regulation, it is directly effective in all Member States without the need for the implementation of additional national legislation. The implementation and compliance with this regulation (and any additional national legislation passed in the context of the General Data Protection Regulation) is complex and entails significant costs and time, given that the General Data Protection Regulation introduces substantial and ambitious changes. Additionally, non-compliance with the General Data Protection Regulation may cause reputational damages and the application of very significant fines.

The Issuer operates in a highly regulated industry and its banking activities are subject to extensive regulation by, among others, the ECB, the Bank of Portugal, the European Banking Authority ("**EBA**"), the European Securities and Markets Authority ("**ESMA**"), the European Insurance and Occupational Pensions Authority ("**EIOPA**"), the CMVM and the Insurance and Pensions Funds Supervisory Authority ("**ASF**"), as well as other supervisory authorities, from the EU and the countries in which the Issuer conducts its activities. Such regulations relate to liquidity, capital adequacy and permitted investments, ethical issues,

money laundering, privacy, securities (including debt instruments) issuance and offering/placement, financial intermediation issues, record-keeping, marketing and selling practices.

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

Pressure to comply with activity, liquidity and capital adequacy requirements applicable to the Issuer could force the Issuer to liquidate assets held at depressed prices or on unfavourable terms, thus leading to a materially adverse impact on its business, reputation, financial condition and results of operation or prospects.

Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 amending the Capital Requirements Regulation as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements (“**CRR II**”) and Directive (EU) 2019/878 of the European Parliament and of the Council of 20 May 2019 amending the Capital Requirements Directive IV as regards exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures (“**CRD V**”) introduce a new approach for the measurement of counterparty credit risk, the implementation of the NSFR, a changed framework for interest rate risk and changes to the treatment of trading book exposures, in addition to other amendments relating to capital, liquidity, leverage, remuneration and the EU's recovery and resolution framework. Most of the provisions of CRD V are required to be transposed into national law by 28 December 2020, with application immediately thereafter. The CRR II's application is staggered in accordance with Article 3 of the CRR II from 27 June 2019 to 28 June 2023. The CRD V amends the CRD IV and requires national transposition of the majority of its provisions by 28 December 2020. In accordance with Law 63-A/2008, of 24 November 2008, as amended, as referring to the reinforcement of financial stability of credit institutions, namely to capitalisation measures through public investment – the Portuguese Government may, by ministerial order, define the level of own funds of credit institutions in such a capitalisation context.

As of 30 June 2020, Issuer's capital ratios were<sup>7</sup>: the CET1 ratio rose to 13.8 per cent. (13.4 per cent. in December 2019), the Tier 1 ratio to 15.3 per cent. (14.9 per cent. in December 2019) and the total capital ratio to 17.0 per cent. (16.6 per cent. in December 2019). The leverage ratio stood at 7.2 per cent in June 2020. The Liquidity Coverage Ratio of the Issuer was 199 per cent.<sup>8</sup> and the Net Stable Funding Ratio<sup>9</sup> was 148 per cent.

In December 2017, the Basel Committee on Banking Supervision (“**BCBS**”) published a package of proposed reforms for the global regulatory framework of banking industry which is frequently referred to

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<sup>7</sup> Source: Issuer's first half 2020 consolidated results presentation (unaudited)

<sup>8</sup> Average 12 months, according to EBA guidance. Average amount (last 12 months) of LCR components calculation: Liquidity Reserves (5 170 M.€); Total net outflows (2 592 M.€).

<sup>9</sup> Regulatory minimum from June 2021.

as “Basel IV”. The BCBS’s aim is to make the capital framework more robust and to improve confidence in the system.

The BCBS has proposed reforms which are designed to make banks more resilient and increase confidence in the banking system. The Basel IV proposals announced recently include updates to the ways banks calculate their capital requirements with the aim of making outcomes more comparable across banks globally.

The framework will now be considered by lawmakers in national jurisdictions and at the EU level. As part of this process, national or EU authorities must decide on the use of a limited number of alternative calculations allowed under the BCBS proposal, so called “national options and discretions”.

The BCBS proposes a nine-year implementation timetable, which allows considerable time for preparation. A five-year “phase-in” period would commence on 1 January 2022, with full implementation foreseen from 1 January 2027.

There is still a high degree of uncertainty with regards to the Basel IV implementation, and subsequently how and when it will be implemented in the EU. It is thus too early to draw firm conclusions regarding the impact on the future capital requirements of the Issuer.

The CRD IV/CRR requirements adopted in Portugal are expected to change by the end of the year as a result of changes to the CRD IV/CRR agreed by EU legislators.

Under the new legal framework, there is the risk that the Issuer is not able to comply with stricter and more demanding regulatory requirements regarding capital, liquidity, leverage, and others in a timely manner. A failure to comply with the applicable regulations could have a material adverse effect on the Issuer as it could result in damages to the Issuer’s reputation, administrative action, application of penalties or regulatory sanctions, and even loss of authorisation to carry out its activities.

Changes to supervisory rules and regulations in respect of the Issuer’s activities, in particular in Portugal, may have a negative impact on the Issuer’s business, the products and services it offers and/or the value of its assets. Future regulatory changes, changes in tax laws or other alterations may be unpredictable and are outside the Issuer’s control.

### ***1.3.2. Borrower’s protection laws may limit the Issuer’s actions and have a material adverse effect on the Issuer’s business, reputation, financial condition and results of operations or prospects***

Existing legal and regulatory frameworks impose obligations for credit institutions to ensure protection for borrowers, including, implementing procedures for gathering information, contacting borrowers, monitoring the execution of loan agreements and managing default risk situations; the duty to assess the financial capacity of borrowers and present default correction proposals adapted to the borrower's situation; and drawing up a plan for restructuring debts emerging from home loans or replacing mortgage foreclosures that in some cases of extra-judicial procedures may restrict the Issuer's options to (i) terminate the relevant agreements; (ii) initiate judicial proceedings against the borrower; (iii) assign its credits over the borrower; or (iv) transfer its contractual position to a third party. These legal and regulatory frameworks for borrower’s protection are expected to continue in the future.

Any existing or future legislation and regulation for the protection of borrowers may limit the Issuer's rights with respect to their powers over defaulting clients and, as a result, may have a material adverse effect on the Issuer's business, reputation, financial condition and results of operations or prospects.

### ***1.3.3. Potential impact of the recovery and resolution measures on BPI's activity***

Decree-Law no. 31-A/2012, of 10 February, introduced the legal framework for the adoption of resolution measures into the RGICSF. Such resolution framework has been further amended by Decree Law no. 114-A/2014, of 1 August, Decree Law no. 114-B/2014, of 4 August, Law no. 23-A/2015, of 26 March, and Decree-Law no. 140/2015, of 31 July, which have transposed the BRRD into the Portuguese framework.

A Single Resolution Mechanism (“SRM”) has been introduced including a Single Resolution Board (“SRB”) and a single fund for the resolution of banks. The requirements of the SRM are set out in the SRM Regulation and the BRRD.

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

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

The powers of the resolution authority set out in the RGICSF following the implementation of the BRRD have an impact on the manner in which institutions are managed as well as, in certain circumstances, on the rights of their creditors.

The exercise of any resolution power under the RGICSF and/or any write down on conversion into equity could, therefore, materially adversely affect the rights of any holders of Public Sector Bonds, the price or value of their investment in the Public Sector Bonds and/or the Issuer's ability to satisfy its obligations under the Public Sector Bonds.

### ***1.3.4. The Issuer may not be able to issue certain MREL-eligible instruments and therefore be either unable to meet its MREL or capital requirements***

In accordance with Article 145-Y of the RGICSF, financial institutions will be required to meet an Minimum Requirement for own funds and Eligible Liabilities (“MREL”) requirement set by Bank of Portugal.

However, in order to meet in the future MREL requirements, the Issuer may need to issue MREL-eligible instruments, affecting its funding structure and financing costs. Such mechanisms and procedures, besides having the capacity to restrain the Issuer's strategy, could increase the average cost of the Issuer's liabilities, in particular, without limitation, to the cost of additional Tier 1 and Tier 2 instruments and thus negatively affect the Issuer's earnings. Tier 1 instruments may also result in a potential dilution of the percentage of ownership of existing shareholders, if they include convertibility features.

Directive (EU) 2017/2399 of the European Parliament and of the Council of 12 December 2017 amending Directive 2014/59/EU regarding the ranking of unsecured debt instruments in the insolvency hierarchy was

transposed into the Portuguese legal framework by Law no. 23/2019, of 13 March, which, in addition to governing the position of unsecured debt instruments in the insolvency hierarchy, providing greater legal certainty to the issuance of non-preferred debt, also confers a preferential claim to all deposits vis-a-vis unsecured senior debt.

The Issuer has been notified by Banco de Portugal, through a letter dated 12 June 2020, of the determination of the minimum requirement of own funds and eligible liabilities at individual sub-consolidated level, basis at the level of 13.31 percentage of total liabilities and own funds (“**TLOF**”), which shall be reached by 31 December 2023 and from that date shall be met at all times.

The Issuer may not be able to issue the necessary MREL-eligible instruments, due to adverse market conditions or to investors’ negative perception of the Issuer, which could lead to a failure to comply with the regulatory requirements, or, alternatively, if the Issuer is able to issue the above mentioned instruments, there is a risk that market conditions will be such that the Issuer will need to issue those instruments at a higher premium. These requirements could therefore have an adverse effect on the business, reputation, financial condition and results of operation or prospects of the Issuer.

#### ***1.3.5. The impact on BPI of the resolution measures occurred in the past in Portugal and funding of possible future resolutions cannot be anticipated***

Following the decision of Bank of Portugal on 3 August 2014 to apply a resolution measure to Banco Espírito Santo, S.A. (“**BES**”), most of its business was transferred to a bridge bank, Novo Banco, specifically set up for that purpose and capitalised by the resolution fund – as created by Decree-Law no. 31-A/2012, of 10 February (the “**Resolution Fund**”). The Resolution Fund is funded by contributions from the institutions participating in the Resolution Fund and contributions from the Portuguese banking sector – with an initial share capital of €4.9 billion. Of this amount, €300 million corresponded to the Resolution Fund’s own financial resources, €3.9 billion resulted from a loan granted by the Portuguese State (the “2014 Portuguese State Loan”), €700 million from a loan granted by a group of credit institutions that are members of the Resolution Fund including the Issuer (the “**Participants’ Loan**”). The Issuer’s share of the Participants’ Loan was of 116.2 million.

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

Banif’s sale process was previously initiated, but on 19 December 2015 the Ministry of Finance informed the Bank of Portugal that such voluntary sale was not feasible and thus the sale would have to be made in the context of a resolution procedure, as described below.

On 20 December 2015, the sale of the business of Banif and of most of its assets and liabilities to Banco Santander Totta, S.A. (“**Banco Santander Totta**”) for the amount of €150 million was announced. Accordingly, the overall activity of Banif was transferred to Banco Santander Totta except for the assets transferred to an asset management vehicle (Oitante, S.A.) set up in the context of the application by the



Bank of Portugal of the aforementioned resolution measure. This transaction involved an estimated public support of €2,255 million to cover future contingencies, of which €489 million was provided by the Resolution Fund (which was financed by a loan in the same amount granted by the Portuguese State (the “**2015 Portuguese State Loan**”) and €1,766 million directly by the Portuguese State, as a result of the determination of the assets and liabilities to be sold as agreed between the Portuguese authorities, European bodies and Banco Santander Totta.

The Issuer’s pro rata share in the Resolution Fund will vary from time to time according to the Issuer’s liabilities and own funds, when compared to the other institutions participating in the Resolution Fund. Contributions to the Resolution Fund are adjusted to reflect the risk profile, the systemic relevance and the solvency position of each participating institution.

In 2019, and in accordance with Decree-Law no. 24/2013, of 19 February, Issuer’s Resolution Fund periodic contribution amount totalled €7 million corresponding to 9.4 per cent. of the total of contributions (€74.1 million).

In relation to the contribution on the banking sector in 2019, Issuer paid €15.3 million corresponding to 8.5 per cent of total contributions (€179.2 million) which were transferred by the Portuguese State to the Resolution Fund.

The periodic contribution created within the scope of BRRD transposition paid by the Issuer in 2019 was €11.3 million, including contributions collected under the combined terms of the scheme transposing BRRD and the SRM Regulation to the institutions covered by the SRM, which was therefore almost entirely transferred to the SRF under Intergovernmental Agreement.

The negative impact on the Issuer of the resolutions of BES and Banif cannot be anticipated, as there is the risk the Resolution Fund may need further recapitalisation while both resolutions are not totally settled.

Furthermore, there is the risk that the resolution measures applied to BES and Banif may prejudice investors’ and economic agents’ positive perception of the Portuguese financial system and the Issuer as a participant thereto.

### **1.3.6. Risks relating to changes in legislation on deferred tax assets**

As at 31 December 2019, the Issuer had registered Deferred Tax Assets (“**DTAs**”) of €263 million (as at 31 December 2018: €327 million), of which €109 million were not dependent on future profitability (as at 31 December 2018: €123 million).

According to current legislation, if the Issuer incurs losses, there is the risk that the Portuguese Government will become a shareholder of Banco BPI by virtue of the DTA conversion into ordinary shares.

The Issuer may not generate enough future profits to allow for the deduction of the DTAs and hence the DTA could have a material adverse effect on the Issuer’s business, reputation, financial condition and results of operation or prospects.

## **2. RISK FACTORS RELATING TO THE PUBLIC SECTOR BONDS**

### **2.1. Risks relating to the Nature of the Public Sector Bonds**

#### **2.1.1. *Extended Maturity of the Public Sector Bonds will not result in any right of the holders to accelerate payments on those Public Sector Bonds or constitute an event of default for any purpose***

Unless the rating provided by the Rating Agencies appointed by the Issuer at the relevant time in respect of the Programme is adversely affected by such provisions, an Extended Maturity Date will apply to each Series of Public Sector Bonds issued under the Programme. If an Extended Maturity Date is specified in the applicable Final Terms as applying to a Series of Public Sector Bonds and the Issuer fails to redeem at par all of those Public Sector Bonds in full on the Maturity Date, the maturity of the principal amount outstanding of the Public Sector 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 Public Sector 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 Public Sector 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 Public Sector Bonds from the Maturity Date up to the Extended Maturity Date will not result in any right of the holders of Public Sector Bonds to accelerate payments on those Public Sector Bonds or constitute an event of default for any purpose and no payment will be due to the holders of Public Sector 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.

#### **2.1.2. *Benefit of special creditor privilege (“privilégio creditório especial”) available not only to the holders of a Series***

The holders of Public Sector 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 especial*”) over all assets comprised in the Cover Pool in relation to the payment of principal and interest on the Public Sector Bonds (See *Characteristics of the Cover Pool*). The Public Sector 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 especial*”).

None of the assets comprised in the Cover Pool are or will be exclusively available to meet the claims of the holders of certain Public Sector Bonds ahead of other holders of Public Sector Bonds or of Other Preferred Creditors of the Issuer at the date hereof or in the future.

### **2.2. Risks relating to Tax and other Relevant Laws**

#### **2.2.1. *The new covered bonds regulation may trigger the need to make some adjustments on the Programme***

On 12 March 2018, the European Commission published a “*Proposal for a Directive of the European Parliament and the Council on the Issue of covered bonds and covered bond public supervision and amending Directive 2009/65/EC and Directive 2014/59/EU*”. Such directive (Directive (EU) 2019/2162 of the European Parliament and of the Council of 27 November) has been published on 18 December 2019, entered into force on 7 January 2020 and has to be implemented into the Portuguese legal system until 8 July 2021 (the “**CBD**”).

Regulation (EU) 2019/2160 of the European Parliament and of the Council of 27 November introduces some amendments to Article 129 of the CRR. The amendments build on the current prudential treatment but add requirements on minimum overcollateralisation and substitution assets and would strengthen the requirements for covered bonds being granted preferential capital treatment. The CBD defined extendable maturity structures as a mechanism providing for the possibility to extend the scheduled maturity of covered bonds for a certain period of time and in the event that a specific trigger occurs. Article 17 of the CBD lays down the conditions for extendable maturity structures.

The CBD may trigger the need to make some adjustments to the Programme in the future to make it fully compliant with the CBD. In this context, the Issuer cannot anticipate the potential impact this may have on the liquidity, pricing or marketability of the Public Sector Bonds.

### **2.2.2. Risks related to withholding tax**

Under Portuguese law, income derived from the Public Sector Bonds integrated in and held through a centralised system managed by Portuguese resident entities (such as the Portuguese Centralised System of Registration of Securities ("*Central de Valores Mobiliários*"), managed by Interbolsa), by other European Union or European Economic Area entities that manage international clearing systems (in the latter case if there is administrative co-operation for tax purposes with the relevant country which is equivalent to that in place within the European Union), or, when authorised by the member of the government in charge of finance (currently the Finance Minister), in other centralised systems held by non-resident investors (both individual and corporate) eligible for the debt securities special tax exemption regime which was approved by Decree-Law no. 193/2005, of 7 November 2005, as amended ("**the special regime approved by Decree-Law no. 193/2005**") may benefit from withholding tax exemption, provided that certain procedures and certification requirements are complied with.

Failure to comply with procedures, declarations, certifications or others, will result in the application of the relevant Portuguese domestic withholding tax to the payments without giving rise to an obligation to gross up by the Issuer.

It should also be noted that, if interest and other income derived from the Public Sector Bonds is paid or made available ("*colocado à disposição*") to accounts in the name of one or more accountholders acting on behalf of undisclosed entities (e.g. typically "jumbo" accounts) such income will be subject to withholding tax in Portugal at a rate of 35% unless the beneficial owner of the income is disclosed. Failure by the investors to comply with this disclosure obligation will result in the application of the said Portuguese withholding tax at a rate of 35% and the Issuer will not be required to gross up payments in respect of any withheld accounts in accordance with Condition 7 (*Taxation*).

Further, interest and other types of investment income obtained by non-resident holders (individuals or legal persons) without a Portuguese permanent establishment to which the income is attributable that are domiciled in a country, territory or region included in the "tax havens" list approved by Ministerial Order no. 150/2004 of 13 February, as amended from time to time (hereafter "**Ministerial Order no. 150/2004**"), is subject to withholding tax at 35%, which is the final tax on that income, unless the special regime approved by Decree-Law no. 193/2005 applies and the beneficial owners are central banks and government agencies, international organisations recognised by the Portuguese state, residents in a country or jurisdiction with which Portugal has entered into a double tax treaty or a tax information exchange agreement in force.

The Issuer will not be required to gross up payments in respect of any of such non-resident holders, in accordance with Condition 7 (*Taxation*).

## **2.3. Risks relating to the Market generally**

### ***2.3.1. The lack of a profitable secondary market***

Public Sector 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 Public Sector 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 Public Sector 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 Public Sector 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 Public Sector Bonds.

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

One or more independent credit rating agencies may assign credit ratings to the Public Sector 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 Public Sector Bonds.

## **2.4. Risks relating to the Structure of a particular issue of Public Sector Bonds**

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

### ***2.4.1. Public Sector Bonds issued at a substantial discount or premium***

The market value of securities issued at a substantial discount (such as Zero Coupon Public Sector Bonds) or premium to their nominal amount tends to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

#### ***2.4.2. Public Sector Bonds subject to optional redemption by the Issuer***

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 Public Sector Bonds (which notice shall be irrevocable) redeem all or some only (as specified in the applicable Final Terms) of the Public Sector 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 Public Sector 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 Public Sector Bonds, the nominal amount of all outstanding Public Sector Bonds will be redeemed proportionally.

The Issuer may be expected to redeem Public Sector Bonds when its cost of borrowing is lower than the interest rate on the Public Sector Bonds. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Public Sector Bonds being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

#### ***2.4.3. Risks related to Floating Rate Public Sector Bonds***

Floating Rate Public Sector Bonds bear a variable interest income. A holder of a Floating Rate Public Sector Bond is exposed to the risk of fluctuating interest rate levels and uncertain interest income. Fluctuating interest rate levels make it impossible to determine the yield of a Floating Rate Public Sector bond in advance.

#### ***2.4.4. Risks for Fixed Rate Public Sector Bonds***

Investment in Fixed Rate Public Sector Bonds involves the risk that if market rates subsequently increase above the rate paid on the Fixed Rate Public Sector Bonds, this will adversely affect the value of the Fixed Rate Public Sector Bonds.

#### ***2.4.5. Risks related to Public Sector Bond which are linked to "benchmarks"***

Reference rates and indices such as EURIBOR or LIBOR and other interest rate or other types of rates and indices which are deemed to be "benchmarks" (each a "**Benchmark**" and together, the "**Benchmarks**") are the subject of recent national and international regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past, to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Public Sector Bonds referencing such a benchmark. Regulation (EU) No. 2016/1011 (the "**Benchmarks Regulation**") applies, subject to certain transitional provisions, to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the EU (which, for these purposes, includes the United Kingdom). Among other things, it (i) requires benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevents certain uses by EU supervised entities (such as the Issuer) of benchmarks of administrators that are not authorised or registered (or, if non-EU based, not deemed equivalent or recognised or endorsed).

The Benchmarks Regulation could have a material impact on any Public Sector Bonds linked to or referencing a benchmark, in particular, if the methodology or other terms of the Benchmark are changed in order to comply with the requirements of the Benchmarks Regulation. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the relevant Benchmark.

More broadly, any of the international or national reforms, or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements.

It is not possible to predict with certainty whether, and to what extent, LIBOR and EURIBOR will continue to be supported going forwards. This may cause LIBOR and EURIBOR to perform differently than they have done in the past and may have other consequences which cannot be predicted. Such factors may have (without limitation) the following effects on certain benchmarks (including LIBOR or EURIBOR): (i) discouraging market participants from continuing to administer or contribute to a benchmark; (ii) triggering changes in the rules or methodologies used in the benchmark and/or (iii) leading to the disappearance of the benchmark. Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on any Public Sector Bonds linked to, referencing, or otherwise dependent (in whole or in part) upon, a benchmark.

Investors in Floating Rate Public Sector Bonds which reference EURIBOR or LIBOR should be mindful of the applicable interest rate fall-back provisions applicable to such Floating Rate Public Sector Bonds and the adverse effect this may have on the value or liquidity of, and return on, any Floating Rate Public Sector Bonds which are linked to EURIBOR or LIBOR, as applicable.

The Terms and Conditions of the Public Sector Bonds also provide for certain fallbacks arrangements in the event that a Benchmark Event occurs in relation to Public Sector Bonds for which Screen Rate Determination applies. The use of any such Successor Rate or Alternative Reference Rate to determine the Rate of Interest may result in the Public Sector Bonds performing differently (including paying a lower Rate

of Interest for any Interest Period) than they would do if the Original Reference Rate were to continue to apply.

Furthermore, if a Successor Rate or Alternative Reference Rate is determined by an Independent Adviser or the relevant Issuer, as the case may be, the Terms and Conditions of the Public Sector Bonds provide that such Issuer may vary the Terms and Conditions of the Public Sector Bonds as necessary, to ensure the proper operation of such Successor Rate or Alternative Reference Rate, without any requirement for consent or approval of the holders of the Public Sector Bonds.

If a Successor Rate or Alternative Reference Rate is determined by an Independent Adviser or, as the case may be, the relevant Issuer, the Terms and Conditions of the Public Sector Bonds also provide that an Adjustment Spread may be determined by the Independent Adviser or, as the case may be, such Issuer to be applied to such Successor Rate or Alternative Reference Rate. The aim of the Adjustment Spread is to reduce or eliminate, so far as is reasonably practicable in the relevant circumstances, any economic prejudice or benefit (as the case may be) to holders of the Public Sector Bonds as a result of the replacement of the Original Reference Rate with the Successor Rate or the Alternative Reference Rate. However, there is no guarantee that such an Adjustment Spread will be determined or applied, or that the application of an Adjustment Spread will either reduce or eliminate economic prejudice to holders of the Public Sector Bonds. If no Adjustment Spread is determined, a Successor Rate or Alternative Reference Rate may nonetheless be used to determine the Rate of Interest. Furthermore, there is no guarantee that a Successor Rate or an Alternative Reference Rate will be determined or applied. Any of the foregoing could have an adverse effect on the value or liquidity of, and return on the Public Sector Bonds.

If, following the occurrence of a Benchmark Event, no Successor Rate or Alternative Reference Rate is determined, the ultimate fallback for the purposes of calculation of the Rate of Interest for a particular Interest Period or Reset Period, as the case may be, may result in the Rate of Interest for the last preceding Interest Period or Reset Period, as the case may be, being used. This may result in the effective application of a fixed rate for Floating Rate Public Sector Bonds, based on the rate which was last observed on the Relevant Screen Page.

Any of the above matters or any other significant change to the setting or existence of the Original Reference Rate could adversely affect the ability of the relevant Issuer to meet its obligations under the Public Sector Bonds and could have a material adverse effect on the value or liquidity of, and the amount payable under, the Public Sector Bonds.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the Benchmarks Regulation reforms in making any investment decision with respect to any Notes linked to or referencing a benchmark.

## **2.5. Risks Specific to Cover Pool**

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

The Cover Pool may contain credit assets over the central administrations, regional or local authorities of any EU Member State as well as receivables benefiting from an express and legally binding guarantee issued

by any of such entities, other eligible assets, substitution assets and hedging contracts, in all cases subject to the limitations provided for in the Public Sector Bonds Law and the Bank of Portugal Regulations. The Public Sector Bonds Law permits the composition of the Cover Pool to be dynamic and does not require it to be static. Accordingly, the composition of the Cover Pool will change from time to time in accordance with the Public Sector Bonds Law - See “*The Public Sector Bonds Law*”.

#### ***2.5.2. Exposure to the Issuer’s credit risk in case of insufficiency of the assets comprised by the Cover Pool***

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

#### ***2.5.3. Amortisation of Public Sector Credits***

Public Sector 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 public sector credits may result in the Issuer being required to include further public sector credits and/or substitution assets in the Cover Pool in order for the Issuer to comply with the financial matching requirements under the Public Sector Bonds Law. If the Issuer is not able to properly include or substitute assets as aforesaid, this may cause the Issuer not comply with the financial matching requirements under the Public Sector Bonds Law and can impact the performance of the Cover Pool, and the value of and amounts ultimately payable under the Public Sector Bonds.

#### ***2.5.4. The inclusion in the Cover Pool of other eligible assets and Hedging Contracts under the Public Sector Bonds Law***

The Public Sector Bonds Law permits the inclusion in the Cover Pool of other eligible assets and hedging contracts subject to certain restrictions under the Public Sector Bonds Law and Bank of Portugal Regulations. The aggregate amount of other eligible assets cannot exceed 20 per cent. of the total value of the public sector credits and other eligible assets comprised in the Cover Pool. See “Characteristics of the Cover Pool”. The inclusion of other eligible assets and hedging contracts as mentioned above can affect the performance of the Cover Pool, and the value of and amounts ultimately payable under the Public Sector Bonds, as compared to a situation where no such inclusion was made, or was made at different levels.

#### ***2.5.5. The Issuer’s entitlement to enter into Hedging Contracts***



Hedging contracts can be entered into exclusively to hedge risks such as interest rate risk, exchange rate risk and liquidity risk. At the date of this Base Prospectus it is intended that the Hedging Contracts will hedge the interest rate exposure with respect to the Public Sector Credits comprised in the Cover Pool as well as the interest rate exposure with respect to the Public Sector Bonds. The Issuer is entitled but not required to enter into hedging contracts under the Public Sector Bonds Law, except if the Public Sector Bonds and the Cover Pool are denominated in different currencies, in which case the Issuer shall hedge any exchange rate risk coverage. See *Characteristics of the Cover Pool – Hedging Contracts*. The entering into of hedging contracts, or the absence of entering into of hedging contracts, where the Issuer is entitled to enter into the same, can impact the performance of the Cover Pool, and the value of and amounts ultimately payable under the Public Sector Bonds, as compared to a situation where the opposite decision has been taken by the Issuer.

## RESPONSIBILITY STATEMENTS

In respect of the Issuer, this Base Prospectus comprises a base prospectus for the purposes of Article 8 of the Prospectus Regulation and Article 135-C of the Portuguese Securities Code, for the purpose of giving information with regard to the Issuer which, according to the nature of the Issuer and the Public Sector 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 Public Sector Bonds.

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

In accordance with, and for the purposes of, Articles 149, 150 and 243 of the Portuguese Securities Code, the entities and persons referred to below are responsible for the information contained in this Base Prospectus, subject to the qualifications below. The Issuer, the members of the Board of Directors of the Issuer and the members of the Supervisory Board and the Statutory Auditor of the Issuer (see Management, Supervisory Board and Statutory Auditor of the Issuer) are responsible for the information contained in this Base Prospectus and each of them declares, to the best of their knowledge the information contained in this Base Prospectus for which each of them is responsible according to the aforementioned Articles is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Statutory Auditor of the Issuer, Pricewaterhousecoopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda., member of the Portuguese Institute of Statutory Auditors (“*Ordem dos Revisores Oficiais de Contas*”) with number 183 and registered with the CMVM with registration number 20161485, with its registered office at Palácio SottoMayor, Rua Sousa Martins, no. 1, 3<sup>rd</sup>, 1069-316 Lisbon, Portugal, has audited and expressed an opinion on the financial statements of the Issuer for the financial year ended on 31 December 2018 and on 31 December 2019 and is therefore responsible for the Legal Certification of Accounts and Auditor’s Reports on these financial periods, which are incorporated by reference in this Base Prospectus (see *Documents Incorporated by Reference* and *General Information*).

In accordance with article 149, no. 3 (directly and *ex vi* article 243) of the Portuguese Securities Code, liability of the entities referred to above is excluded if any such entities proves that the addressee knew or should have known about the inaccuracies in the contents of this Base Prospectus on the date of issue of the contractual declaration or when the respective revocation was still possible. Pursuant to subparagraph b) of article 150, the Issuer is strictly liable (i.e. independently of fault) if any of the members of its Board of Directors, its Supervisory Board, Pricewaterhousecoopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda and any other individuals that have certified or, in any other way, verified the accounting documents on which the Base Prospectus is based are held responsible for such information. As per subparagraph b) of article 243 of the Portuguese Securities Code, the right to compensation based on the responsibility for the information contained in the Base Prospectus, as per article 149, is to be exercised within six months following the knowledge of an inaccuracy in the contents of the Base Prospectus and ceases, in any case, two years following (i) disclosure of the admission Base Prospectus or (ii) amendment that contains the defective information or forecast.

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*). Any decision to invest in the Public Sector Bonds should be based on a consideration of this Base Prospectus as a whole, including those documents incorporated by reference.

No person is or has been authorised by the Issuer to give any information or to make any representation not contained in, or not consistent with, this Base Prospectus or any other information supplied in connection with the Programme or the Public Sector Bonds and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Arranger (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 any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof or the date upon which this Base Prospectus has been most recently supplemented or that there has been no adverse change in the financial position of the Issuer since 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 on which it is supplied or, if different, the date indicated in the document containing the same.

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 Public Sector Bonds, prepare a supplement to this Base Prospectus or publish a new Base Prospectus to be used in connection with any subsequent issue of Public Sector Bonds.

The Arranger, the Common Representative and the Dealer expressly do not undertake to review the financial condition or affairs of the Issuer during the duration of the Programme or to advise any investor in the Public Sector Bonds of any information which may come to their attention. Investors should review, amongst other things, the financial statements, if any, of the Issuer when deciding whether or not to purchase any Public Sector Bonds.

This Base Prospectus or any Final Terms (as defined below) do not constitute an offer to sell or a solicitation of an offer to buy any securities other than Public Sector Bonds or an offer to sell or a solicitation of any offer to buy any Public Sector Bonds in any circumstance in which such offer or solicitation would not be authorised or would be unlawful. The distribution of this Base Prospectus and the offer or sale of Public Sector Bonds may be restricted by law in certain jurisdictions. The Issuer, the Arranger and the Dealer do not represent that this Base Prospectus may be lawfully distributed, or that any Public Sector 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 Arranger or the Dealer (save for application for approval by the CMVM - the competent authority in Portugal for the purposes of the Prospectus Regulation and the relevant Portuguese laws - as a base prospectus compliant with the Prospectus Regulation and the relevant Portuguese laws) which would permit a public offering of any Public Sector Bonds outside the EEA or distribution of this document in any jurisdiction where action for that purpose is required. Accordingly, no Public Sector Bonds may be offered or sold, directly or distributed or published in any jurisdiction and neither this Base Prospectus nor any advertisement or other

offering material may be distributed in any jurisdiction, except under circumstances that would result in compliance with any applicable laws and regulations. Persons into whose possession this Base Prospectus or any Public Sector Bonds may come must inform themselves about, and observe any such restrictions on the distribution of this Base Prospectus and the offering and sale of Public Sector Bonds. In particular, there are restrictions on the distribution of this Base Prospectus and the offer or sale of Public Sector Bonds in the United States, Japan and the EEA (including the United Kingdom, Italy and Portugal). See *Subscription and Sale and Secondary Market Arrangements*.

The Arranger, the Common Representative and the Dealer have not independently verified the information contained or incorporated in this Base Prospectus. Accordingly, none of the Arranger, the Common Representative or the Dealer makes any representation, warranty or undertaking, to any investor in the Public Sector Bonds, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information contained in this Base Prospectus, except for the information relating to each of the Arranger, the Common Representative and the Dealer. Neither this Base Prospectus nor any information supplied in connection with the Programme or the Public Sector 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 Arranger, the Common Representative or the Dealer that any recipient of this Base Prospectus or any other financial information supplied in connection with the Programme should purchase the Public Sector Bonds. Each potential purchaser of Public Sector Bonds should determine for itself the relevance of the information contained in this Base Prospectus and its purchase of Public Sector Bonds should be based upon its own independent investigation as it deems necessary (namely of the financial condition, affairs and creditworthiness of the Issuer and the advantages and risks of investing in Public Sector Bonds). None of the Arranger, the Common Representative or the Dealer undertakes to review the financial condition or affairs of the Issuer during the life of the arrangements contemplated by this Base Prospectus nor to advise any investor or potential investor in Public Sector Bonds of any information coming to the attention of the Arranger, the Common Representative or the Dealer.

This Base Prospectus has been prepared on the basis that, except to the extent sub-paragraph (ii) below may apply, any offer of Public Sector Bonds in any Member State of the EEA will be made pursuant to an exemption under Article 1(4) and/or 3(2) of the Prospectus Regulation, from the requirement to publish a prospectus for offers of Public Sector Bonds. Accordingly any person making or intending to make an offer in a Member State of Public Sector Bonds which are the subject of a placement contemplated in this Base Prospectus as completed by final terms in relation to the offer of those Public Sector Bonds may only do so (i) in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to the provision of the Prospectus Regulation and the Portuguese Securities Code or supplement a prospectus pursuant to the provisions of Article 23 of the Prospectus Regulation and the Portuguese Securities Code, in each case, in relation to such offer, or (ii) if a prospectus for such offer has been approved by the competent authority in that Member State or, where appropriate, approved in another Member State and notified to the competent authority in that Member State and (in either case) published, all in accordance with the Prospectus Regulation, provided that any such prospectus has subsequently been completed by final terms which specify that offers may be made other than pursuant to the provisions of the Prospectus Regulation and the Portuguese Securities Code in that Member State and such offer is made in the period beginning and ending on the dates specified for such purpose in such prospectus or final terms,

as applicable. Except to the extent sub-paragraph (ii) above may apply, neither the Issuer nor any Dealer have authorised, nor do they authorise, the making of any offer of Public Sector Bonds in circumstances in which an obligation arises for the Issuer or any Dealer to publish or supplement a prospectus for such offer.

Neither the Dealer nor the Issuer makes any representation to any investor in the Public Sector Bonds regarding the legality of its investment under any applicable laws. Any investor in the Public Sector Bonds should be able to bear the economic risk of an investment in the Public Sector Bonds for an indefinite period of time.

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

## DOCUMENTS INCORPORATED BY REFERENCE

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

- (a) the Portuguese version of the results presentation with the consolidated results as of 30 June 2020 (unaudited results), dated of 31 July 2020;
- (b) the Portuguese version of the Issuer's consolidated Annual Report in respect of the financial years ended on 31 December 2019 and on 31 December 2018;
- (c) the Portuguese version of the articles of association of the Issuer (available at [https://rep.bancobpi.pt/RepMultimedia/getMultimedia.asp?channel=Multimedia%20-%20RI%20-%20Informa%E7%E3o%20Obrig%20Investidores&content=Estatutos\\_Contrato\\_BancoBPI\\_PT](https://rep.bancobpi.pt/RepMultimedia/getMultimedia.asp?channel=Multimedia%20-%20RI%20-%20Informa%E7%E3o%20Obrig%20Investidores&content=Estatutos_Contrato_BancoBPI_PT)).

Following the publication of this Base Prospectus, a supplement may be prepared by the Issuer and approved by the CMVM in accordance with article 142 of the Portuguese Securities Code which implemented Article 23 of the Prospectus Regulation.

Any statement contained herein or in a document which is incorporated by reference herein shall be deemed to be modified or superseded for the purposes of this Base Prospectus to the extent that a statement contained in any document which is subsequently incorporated by reference herein by way of a supplement prepared in accordance with Article 23 of the Prospectus Regulation and Article 142 of the Portuguese Securities Code modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). 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 at Rua Tenente Valadim, no. 284, 4100-476 Porto and from the specified offices of the Agent at Rua Tenente Valadim, no. 284, 4100-476 Porto and of the Common Representative at 10 Harewood Avenue, London, England, NW1 6AA, United Kingdom, as well as from the website of the Issuer whose link is [www.bancobpi.pt](http://www.bancobpi.pt).

This Base Prospectus and the documents incorporated by reference can be obtained from the website of the CMVM, being [www.cmvm.pt](http://www.cmvm.pt), except for the articles of association of the Issuer and Issuer's consolidated Annual Report in respect of the financial years ended on 31 December 2019 which can be obtained from [www.bancobpi.pt](http://www.bancobpi.pt) and from [www.ir.bpi.pt](http://www.ir.bpi.pt).

Any information contained in the Issuer's website ([www.bancobpi.pt](http://www.bancobpi.pt)) is not part of this Base Prospectus unless such information is incorporated by reference in this Base Prospectus.

Other than in relation to the documents which are deemed to be incorporated by reference (see Documents Incorporated by Reference), the information on the websites to which this Base Prospectus refers does not form part of this Base Prospectus and has not been scrutinised or approved by the CMVM.

The Issuer will, in the event of any significant new factor, material mistake or material inaccuracy relating to information included in this Base Prospectus which is capable of affecting the assessment of any Public

Sector Bonds, prepare a supplement to this Base Prospectus or publish a new Base Prospectus to be used in connection with any subsequent issue of Public Sector Bonds.

The table below refers to points (a) and (b): <b>BPI</b>	
<b><i>Information Incorporated by Reference</i></b>	<b><i>Reference</i></b>
<b><u>Results presentation with the unaudited consolidated results for the first half of 2020 (ended on 30 June 2020)</u></b>	
Consolidated income statement ( <i>Conta de resultados consolidada</i> )	35
Consolidated balance ( <i>Balanço consolidado</i> )	36
Consolidated profitability and efficiency metrics ( <i>Rendibilidade, eficiência, qualidade do crédito consolidado</i> )	37
The results presentation with the unaudited consolidated results for the first half 2020 (ended on 30 June 2020) incorporated by reference herein can be viewed online at: <a href="https://web3.cmvm.pt/sdi/emitentes/docs/FR76537.pdf">https://web3.cmvm.pt/sdi/emitentes/docs/FR76537.pdf</a>	
<b><u>Annual Report 2019</u></b>	
Consolidated Balance Sheets ( <i>Balanços consolidados em 31 de Dezembro de 2019 e 2018</i> )	102
Consolidated Statements of Income ( <i>Demonstrações consolidadas dos resultados para os exercícios findos em 31 de Dezembro de 2019 e 2018</i> )	103
Consolidated Statements of Profit or Loss and other Comprehensive Income ( <i>Demonstrações consolidadas dos resultados e de outro rendimento integral para os exercícios findos em 31 de Dezembro de 2019 e 2018</i> )	104
Statements of changes in shareholders' equity ( <i>Demonstrações consolidadas de alterações nos capitais próprios para os exercícios findos em 31 de Dezembro de 2019 e 2018</i> )	105



Consolidated Statements of Cash flows ( <i>Demonstrações consolidadas dos fluxos de caixa para os exercícios findos em 31 de Dezembro de 2019 e 2018</i> )	106
Notes to the Consolidated Financial Statements ( <i>Notas às demonstrações financeiras consolidadas em 31 de Dezembro de 2019 e 2018</i> )	107 – 261
Auditor’s report ( <i>Certificação Legal de contas e relatório de auditoria</i> )	262 – 273
The Annual Report 2019 incorporated by reference herein can be viewed online at: <a href="https://bpi.bancobpi.pt/pt/ficheiros/RC/BancoBPIRelatorioContas2019.pdf">https://bpi.bancobpi.pt/pt/ficheiros/RC/BancoBPIRelatorioContas2019.pdf</a>	
<b><u>Annual Report 2018</u></b>	
Consolidated Balance Sheets ( <i>Balanços consolidados em 31 de Dezembro de 2018 e 2017</i> )	84
Consolidated Statements of Income ( <i>Demonstrações consolidadas dos resultados para os exercícios findos em 31 de Dezembro de 2018 e 2017</i> )	85
Consolidated Statements of Profit or Loss and other Comprehensive Income ( <i>Demonstrações consolidadas dos resultados e de outro rendimento integral para os exercícios findos em 31 de Dezembro de 2018 e 2017</i> )	86
Statements of changes in shareholders' equity ( <i>Demonstrações consolidadas de alterações nos capitais próprios para os exercícios findos em 31 de Dezembro de 2018 e 2017</i> )	87
Consolidated Statements of Cash flows ( <i>Demonstrações consolidadas dos fluxos de caixa para os exercícios findos em 31 de Dezembro de 2018 e 2017</i> )	88

Notes to the Consolidated Financial Statements <i>(Notas às demonstrações financeiras consolidadas em 31 de Dezembro de 2018 e 2017)</i>	89 – 240
Auditor’s report ( <i>Certificação Legal de contas e relatório de auditoria</i> )	242 – 254
The Annual Report 2018 incorporated by reference herein can be viewed online at: <a href="https://web3.cmvm.pt/sdi/emitentes/docs/PC71875.pdf">https://web3.cmvm.pt/sdi/emitentes/docs/PC71875.pdf</a>	

The information incorporated by reference that is not included in the cross-reference lists contained above, is considered as additional information and is not required by the relevant schedules of Commission Delegated Regulation (EU) No 2019/980 of 14 March.

## **FORM OF THE PUBLIC SECTOR BONDS AND CLEARING SYSTEMS**

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

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of Interbolsa currently in effect. The information in this section concerning Interbolsa has been obtained from sources that the Issuer believes to be reliable, but none of the Issuer, the Arranger or the Dealer takes any responsibility for the accuracy thereof. Investors wishing to use the facilities of Interbolsa are advised to confirm the continued applicability of its rules, regulations and procedures. None of the Issuer, the Arranger or the Dealer will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, interests in the Public Sector Bonds held through the facilities of Interbolsa or for maintaining, supervising or reviewing any records relating to such interests.

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

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

The Public Sector 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 Public Sector Bonds will be offered and sold only outside the United States in reliance upon Regulation S under the Securities Act.

### **Public Sector Bonds held through Interbolsa**

#### *General*

Interbolsa manages a centralised system (*sistema centralizado*) composed by interconnected securities accounts, through which securities (and inherent rights) are created, held and transferred, and which allows Interbolsa to control at all times the amount of securities so created, 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 public sector bonds held through Interbolsa.

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

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

#### *Form of the Public Sector Bonds*

The Public Sector Bonds of each Series will be in book-entry form (“*forma escritural*”) and title to the Public Sector Bonds will be evidenced by book entries in accordance with the provisions of the Portuguese Securities Code, the applicable CMVM regulations and Interbolsa regulations. No physical document of title will be issued in respect of Public Sector Bonds held through Interbolsa. The Public Sector Bonds will be registered Public Sector Bonds (“*nominativas*”).

The Public Sector 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 Public Sector Bonds. Such control accounts reflect at all times the aggregate of Public Sector Bonds held in the individual securities accounts opened by the holders of the Public Sector 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 being the holder of certain Public Sector Bonds is considered to be the owner of such Public Sector Bonds as recorded therein.

Registering the Public Sector Bonds with Interbolsa does not necessarily mean that the Public Sector Bonds will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue, or at any or all times during their life, as such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.

#### *Payment of principal and interest in respect of Public Sector Bonds*

Payment of principal and interest in Euros in respect of the Public Sector Bonds will be (i) credited, according to the procedures and regulations of Interbolsa, by the Paying Agent (acting on behalf of the Issuer) to the payment current-accounts held in the payment system of the Bank of Portugal by the Interbolsa Participants whose control accounts with Interbolsa are credited with such Public Sector Bonds and thereafter (ii) credited by such Interbolsa Participants from the aforementioned payment current-accounts to the accounts of the owners of those Public Sector Bonds or to the accounts with Euroclear and Clearstream, Luxembourg of the beneficial owners of those Public Sector Bonds, as applicable, 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 Public Sector 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 inform Interbolsa of the bank accounts to which the relevant payments shall be made. Interbolsa must notify the Bank of Portugal 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 across the Public Sector Bonds and therefore credited in the securities accounts held by the holders of Public Sector Bonds with the Interbolsa Participant. After the financial settlement has been processed, the Bank of Portugal must confirm that fact to Interbolsa.

*Transfer of Public Sector Bonds held through Interbolsa*

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

## FINAL TERMS OF THE PUBLIC SECTOR BONDS

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

Final Terms dated [●].

**[PROHIBITION OF SALES TO EEA RETAIL INVESTORS** - The Public Sector Bonds are not intended to be offered, sold or otherwise made available to (and should not be offered, sold or otherwise made available to) any retail investor in the European Economic Area (the “**EEA**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU of the European Parliament and of the Council of 15 May (“**MiFID II**”) or (ii) a customer within the meaning of Directive (EU) 2016/97 of the European Parliament and of the Council of 20 January, on Insurance distribution (as amended), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II or (iii) not a qualified investor as defined in Prospectus Regulation (as defined below). Consequently, no key information document required by Regulation (EU) No 1286/2014 (the “**PRIIPs Regulation**”) for offering or selling the Public Sector Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Public Sector Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]<sup>10</sup>

**[MiFID II product governance / Professional investors and eligible counterparties only target market** – Solely for the purposes of [the/each] manufacturer’s product approval process, the target market assessment in respect of the Public Sector Bonds has led to the conclusion that: (i) the target market for the Public Sector Bonds is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Public Sector Bonds to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Public Sector Bonds (a “**Distributor**”) should take into consideration the manufacturer[’s/s’] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Public Sector Bonds (by either adopting or refining the manufacturer[’s/s’] target market assessment) and determining appropriate distribution channels.]<sup>11</sup>

*[Amounts payable under the Public Sector Bonds may be calculated by reference to [specify benchmark (as this term is [defined in the Benchmark Regulation])] which is provided by [legal name of the benchmark administrator]. As at the date of this Final Terms, [legal name of the benchmark administrator] [appears / does not appear] on the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority pursuant to Article 36 of the Benchmark Regulation (Regulation (EU) no. 2016/1011, of 8 June) (the “**Benchmark Regulation**”).*

*[As far as the Issuer is aware, [specify benchmark (as this term is defined in the Benchmark Regulation)] [does not fall within the scope of the Benchmark Regulation / the transitional provisions in Article 51 of the Benchmark*

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<sup>10</sup> Legend to be included on front of the Final Terms if the Public Sector Bonds potentially constitute “packaged” products or the issuer wishes to prohibit offers to EEA retail investors for any other reason, in which case the selling restriction should be specified to be “Applicable”.

<sup>11</sup> Legend to be included on front of the Final Terms, to outline the product approval process of any applicable manufacturer.

*Regulation apply] such that [legal name of the benchmark administrator] is not currently required to obtain authorisation or registration (or, if located outside the EU, recognition, endorsement or equivalence).]]*

*[The Public Sector Bonds will only be admitted to trading on [insert name of relevant QI market/segment], which is [an EEA regulated market/a specific segment of an EEA regulated market] [(and, for these purposes, reference to the EEA includes the United Kingdom)] (as defined in MiFID II), to which only qualified investors (as defined in the Prospectus Regulation) can have access and shall not be offered or sold to non-qualified investors.]<sup>12</sup>*

## Banco BPI, S.A.

Legal entity identifier (LEI): 3DM5DPGI3W6OU6GJ4N92

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

under the €2,000,000,000 Public Sector Bonds Programme

THE PUBLIC SECTOR BONDS (AS DESCRIBED HEREIN) ARE ISSUED IN ACCORDANCE WITH DECREE-LAW NO. 59/2006, OF 20 MARCH, AS AMENDED FROM TIME TO TIME (THE “**PUBLIC SECTOR BONDS LAW**”). THE ISSUER HAS THE CAPACITY TO ISSUE PUBLIC SECTOR BONDS IN ACCORDANCE WITH THE PUBLIC SECTOR BONDS LAW. THE FINANCIAL OBLIGATIONS OF THE ISSUER UNDER THE PUBLIC SECTOR BONDS ARE SECURED ON THE COVER POOL MAINTAINED BY THE ISSUER IN ACCORDANCE WITH THE PUBLIC SECTOR BONDS LAW.

This document constitutes the Final Terms relating to the issue of Public Sector 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 Public Sector Bonds (the “**Terms and Conditions**”) set forth in the Base Prospectus dated 20 August 2020 [, as supplemented on [●]], which constitutes a base prospectus for the purposes of Regulation (EU) 2017/1129, of the European Parliament and of the Council of 14 June (the “**Prospectus Regulation**”) and Decree-Law no. 486/99, of 13 November, as amended from time to time (the “**Portuguese Securities Code**”). The Terms and Conditions are incorporated by reference into in each Public Sector Public Sector described herein, as applicable. This document constitutes the Final Terms of the Public Sector Public Sector described herein for the purposes of the Prospectus Regulation and must be*

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<sup>12</sup> Legend to be considered for inclusion for Bonds with a minimum denomination of at least EUR 100,000 (or equivalent in another currency), and which will only be admitted to trading on a regulated market, or a specific segment of a regulated market, to which only qualified investors can have access.

read in conjunction with such Base Prospectus [ , as supplemented]. Full information on the Issuer and the offer of the Public Sector Bonds is only available on the basis of the combination of these Final Terms and the Base Prospectus[ , as supplemented]. The Base Prospectus[ , as supplemented.] is available for viewing at Banco BPI, S.A., Rua Tenente Valadim, no. 284, 4100-476 Porto, [www.bancobpi.pt](http://www.bancobpi.pt) and [www.cmvm.pt](http://www.cmvm.pt). and copies may be obtained from the same address for a period of 12 months following the date of the Base Prospectus 20 August 2020. The Final Terms are available for viewing at the website of Banco BPI at [www.bancobpi.pt](http://www.bancobpi.pt) and CMVM’s website [www.cmvm.pt](http://www.cmvm.pt).

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

*[When completing any final terms, or adding any other final terms or information, consideration should be given as to whether such terms or information constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 142 of the Portuguese Securities Code and Article 23 of the Prospectus Regulation.]*

1. (i) Series Number: [●]
- (ii) [Tranche Number: [●]]
- [(If fungible with an existing Series, details of that Series, including the date on which the Public Sector Bonds become fungible.)]*
2. Specified Currency or Currencies: [●]
3. (i) Aggregate Nominal Amount of Public Sector Bonds:
  - A. Series: [●]
  - B. Tranche: [●]
- (ii) Specify whether Public Sector Bonds to be admitted to trading [Yes (if so, specify each Series/Tranche)/No]
4. (i) Issue Price: [●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] (in the case of fungible issues only, if applicable)]
- (ii) [Net Proceeds [●] [an amount equal to: Aggregate Nominal Amount of Public Sector Bonds minus Estimate of total expenses] (Required only for listed issues)]
5. Specified Denominations: [●]



*(N.B. the minimum denomination of each Public Sector Bond is €100,000)*

6. (i) Issue Date: [●]
- (ii) [Interest Commencement Date (if different from the Issue Date): [●]
- (NB: An Interest Commencement Date will not be relevant for certain Public Sector Bonds, for example Zero Coupon Public Sector Bonds.)*
7. Maturity Date: *[specify date (for Fixed Rate Public Sector Bonds) or (for Floating Rate Public Sector Bonds) Interest Payment Date falling in or nearest to the relevant month and year]*
8. Extended Maturity Date: [Applicable/Not Applicable]
- [insert date] [If applicable, the date should be that falling one year after the Maturity Date. If not applicable, insert "Not Applicable"].*
- [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 the Public Sector Bonds.]*
9. Interest Basis:
- (i) Period to (and including) Maturity Date: [[●] per cent. Fixed Rate]  
[[specify reference rate] +/- [●] per cent. Floating Rate]  
[Zero Coupon]  
(further particulars specified below)
- (ii) Period from (but excluding) Maturity Date up to (and including) Extended Maturity Date: [Not Applicable] /  
[[●] per cent. Fixed Rate]  
[[specify reference rate] +/- [●] per cent. Floating Rate]  
(further particulars specified below)
- [Insert "Not Applicable" only if Extended Maturity Date does not apply]*
10. Redemption/Payment Basis: [Redemption at par]  
[Instalment]

11. Change of Interest or Redemption/Payment Basis [Specify details of any provision for convertibility of Public Sector Bonds into another interest or redemption/payment basis]
12. Put/Call Options: [Investor Put]  
[Issuer Call]  
[(further particulars specified below)]
13. (i) Status of the Public Sector Bonds: The Public Sector Bonds will be direct, unconditional and senior obligations of the Issuer and rank equally with all other public sector bonds issued or to be issued by the Issuer. The Public Sector Bonds will qualify as public sector bonds for the purposes of the Public Sector Bonds Law.
- (ii) [Date [Board] approval for issuance of Public Sector Bonds obtained]: [●]
14. Method of distribution: [Syndicated/Non-syndicated]
15. Listing/Admission to Regulated Market [Euronext Lisbon/specify other/None]

#### **PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

16. Fixed Rate Public Sector 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 Public Sector Bonds are Fixed Rate Public Sector Bonds after the Maturity Date.]*
- (i) Rate [(s)] of Interest:
- To Maturity Date: [●] per cent. per annum [payable [annually/semi-annually/quarterly] in arrear]
  - From Maturity Date up to Extended Maturity Date: [Not Applicable]/ [●] per cent per annum. [payable[annually/semi-annually/quarterly] in arrear]

*[State "Not Applicable" unless Extended Maturity Date applies and the Public Sector Bonds are Fixed Rate Public Sector 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 Public Sector Bonds are Fixed Rate Public Sector 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 Public Sector Bonds are Fixed Rate Public Sector 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 Public Sector Bonds are Fixed Rate Public Sector 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 Public Sector Bonds are Fixed Rate Public Sector 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 Public Sector Bonds are Fixed Rate Public Sector Bonds after the Maturity Date.]*

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

17. Floating Rate Public Sector 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 Public Sector Bonds are Floating Rate Public Sector 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 Public Sector Bonds are Floating Rate Public Sector 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 Public Sector Bonds are Floating Rate Public Sector 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 Public Sector Bonds are Floating Rate Public Sector 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 Public Sector Bonds are Floating Rate Public Sector 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 Public Sector Bonds are Floating Rate Public Sector Bonds after the Maturity Date.]

(vi) Screen Rate Determination:

- a) To Maturity Date:

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





## PROVISIONS RELATING TO REDEMPTION

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

21. Final Redemption Amount of each Public Sector Bond [[●] per Public Sector Bond of [●] Specified Denomination/Other/See Appendix]
22. [Early Redemption Amount of each Public Sector 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*))]

## GENERAL PROVISIONS APPLICABLE TO THE PUBLIC SECTOR BONDS

23. (a) Form of Public Sector Bonds: Registered Public Sector Bonds (*nominativas*) in book entry form (*escriturais*)
24. (b) New Global Notes: [Yes/No]
- Additional Financial Centre(s) or other special provisions relating to Payment Dates: [Not Applicable/*give details*]  
(*Note that this item relates to the place of payment and not Interest Period end dates to which item 17 (iii) relates*)
25. Details relating to Instalment Public Sector Bonds:
- (i) Instalment Amount(s): [Not Applicable/*give details*]
- (ii) Instalment Date(s): [Not Applicable/*give details*]
26. Redenomination applicable: [Applicable/Not Applicable] (*if Redenomination is applicable, specify the terms of the redenomination in an Annex to the Final Terms*)
27. Other final terms: [Not Applicable/*give details*]  
  
(*When adding on any other final terms consideration should be given as to whether such terms constitute ‘significant new factors’ and consequently trigger the need for a supplement to the Base Prospectus under Article 23 of the Prospectus Regulation.*)
- [*In order for withholding tax not to apply the holders of the Public Sector Bonds must, inter alia, deliver certain tax certifications. See Taxation section.*]

## DISTRIBUTION

28. (i) If syndicated, names of Dealers: [Not Applicable/give names and date of relevant agreement]
- (ii) Stabilising Manager (if any): [Not Applicable/give names]
- (iii) Commission Payable / Selling Concession: [●]
29. If non-syndicated, name of relevant Dealer: [Not Applicable/give name and date of relevant agreement]
30. Additional selling restrictions: [Not Applicable/give details ]
31. Prohibition of Sales to EEA Retail Investors [Applicable/Not Applicable]
- (if the offered Public Sector Bonds clearly do not constitute “packaged” products, “Not Applicable” should be specified. If the offer of the Public Sector Bonds may constitute “packaged products” and no KID will be prepared, “Applicable” should be specified)*
32. Relevant Benchmark[s] *[specify benchmark] is provided by administrator legal name][repeat as necessary]. [[administrator legal name] [appears]/[does not appear]][repeat as necessary] in the register of administrators and benchmarks established and maintained by ESMA pursuant to Article 36 of the of the Benchmark Regulation.*
- [As far as the Issuer is aware, [[insert benchmark(s)] [does/do] not fall within the scope of the Benchmark Regulation by virtue of Article 2 of that regulation]/[the transitional provisions in Article 51 of the Benchmark Regulation apply], such that [insert names(s) of administrator(s)] [is/are] not currently required to obtain authorisation or registration.]/[Not Applicable].*

## LISTING AND ADMISSION TO TRADING APPLICATION

These Final Terms comprise the final terms required to list the issue of the Public Sector Bonds described herein pursuant to the €2,000,000,000 Public Sector Bonds Programme of Banco BPI, S.A.

## RESPONSIBILITY

The Issuer accepts responsibility for the information contained in these Final Terms. *[Relevant third party information]* 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 of the Issuer:

Signed on behalf of the Issuer:

By: .....

By: .....

Duly authorised

Duly authorised

## PART B – OTHER INFORMATION

### 1. Listing

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

### 2. Ratings

- Ratings: The Public Sector Bonds to be issued have been rated:
- [DBRS: [●]]
- [Moody's: [●]]
- [[●] (specify): [●]]
- (The above disclosure should reflect the rating allocated to Public Sector Bonds of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)*
- [Need to include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider.]*
- [[Insert credit rating agency] is established in the European Union and has applied for registration under the CRA Regulation, although notification of the corresponding registration decision has not yet been provided by the relevant competent authority.]*
- [[Insert credit rating agency] is established in the European Union and is registered under CRA Regulation.]*

*[[Insert credit rating agency] is not established in the European Union and is not registered in accordance with CRA Regulation.]*

*[[Insert credit rating agency] is not established in the European Union and has not applied for registration under CRA Regulation. However, the application for registration under CRA Regulation of [insert the name of the relevant EU CRA affiliate that applied for registration], which is established in the European Union, disclosed the intention to endorse credit ratings of [insert credit rating agency].]*

*[[Insert credit rating agency] is not established in the European Union and has not applied for registration under CRA Regulation. The ratings [[have been]/[are expected to be]] endorsed by [insert the name of the relevant EU-registered credit rating agency] in accordance with the CRA Regulation . [Insert the name of the relevant EU-registered credit rating agency] is established in the European Union and registered under CRA Regulation.]*

*[[Insert credit rating agency] is not established in the European Union and has not applied for registration under CRA Regulation, but it is certified in accordance with such Regulation.]*

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

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

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

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

**[(i)]** Reasons for the offer

**[•]**

*(See USE OF PROCEEDS] wording in Base Prospectus – if reasons for offer different from making profit*

*and/or hedging certain risks will need to include those reasons here.)]*

[(ii)] Estimated net proceeds [•]

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

[(iii)] Estimated total expenses: [•]

## 5. YIELD

Indication of yield: [•]

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

*[The yield for Floating Rate Public Sector Bonds is an estimation only and calculated with reference to the Rate of Interest that would be payable if the Issue Date would be an Interest Payment Date and on the assumption that such Rate of Interest (comprising the relevant rate plus margin) would not change in the future. Investors should be aware that the Rate of Interest payable on each Interest Payment Date will be subject to the variation of the relevant Reference Rate. The index used to calculate the yield was [•]]*

## 6. Operational Information

ISIN Code: [•]

Common Code: [•]

Name(s) and address(es) of additional Paying Agent(s) (if any): [•]

Delivery: Delivery [against/free of] payment

[Intended to be held in a manner which would allow Eurosystem eligibility:] [Yes] [No]

[Note that the designation “yes” simply means that the Public Sector Bonds are intended upon issue to

be registered with Interbolsa in its capacity as a securities settlement system, and does not necessarily mean that the Public Sector 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.]

[Not Applicable]

[Applicable]

[If applicable;

Stabilising Manager;

Period;

Other information]

Stabilization Operation



## TERMS AND CONDITIONS OF THE PUBLIC SECTOR BONDS

*The following are the Terms and Conditions of the Public Sector Bonds.*

*The applicable Final Terms in relation to any Tranche of Public Sector 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 Public Sector Bonds and shall be included in a supplement prepared by the Issuer for such purpose. The applicable Final Terms (or the relevant provisions thereof) will be incorporated by reference or endorsed upon, or attached to, each Public Sector Bond. Reference should be made to ‘Final Terms for Public Sector 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 Public Sector Bonds.*

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

This Public Sector Bonds is one of a Series (as defined below) of public sector bonds issued by Banco BPI, S.A. (the “**Issuer**”) in accordance with the procedures set out in Agency and Payments Procedures (as defined below).

References herein to the Public Sector Bonds shall be references to the Public Sector Bonds of this Series and shall mean the book-entries corresponding to the units of the lowest Specified Denomination in the Specified Currency (as specified in the applicable Final Terms).

The Public Sector Bonds have the benefit of a set of agency and payments procedures (such agency and payments procedures as amended and/or supplemented and/or restated from time to time, the “**Agency and Payments Procedures**”) dated 19 June 2008, as amended from time to time, and made and agreed by Banco BPI, S.A. (acting in its capacity as Agent, which expression shall include any successor) and by any subsequent agent, paying agent, transfer agent and/or agent bank.

Any reference to “**holders of Public Sector Bonds**” shall mean the person or entity in whose name the Public Sector Bonds are registered as such in the relevant securities account held with Interbolsa.

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

Copies of the Agency and Payments Procedures are available for inspection during normal business hours at the specified office of the Paying Agent. Copies of the applicable Final Terms are obtainable at the CMVM’s website – [www.cmvm.pt](http://www.cmvm.pt) – and during normal business hours at the specified office of the Paying

Agent save that, if these Public Sector Bonds are unlisted, the applicable Final Terms will only be obtainable at the specified office of the Paying Agent by a holder holding one or more unlisted Public Sector Bonds and such holder must produce evidence satisfactory to the Issuer and the relevant Agent as to its holding of such Public Sector Bonds and identity. The Public Sector Bonds holders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Agency and Payments Procedures and the applicable Final Terms which are applicable to them. The statements in these Terms and Conditions include summaries of, and are subject to, the detailed provisions of the Agency and Payments Procedures.

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

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

- (a) those Public Sector Bonds which have been redeemed and cancelled pursuant to these Terms and Conditions;
- (b) those Public Sector Bonds in respect of which the date for redemption under these Terms and Conditions has occurred and the redemption moneys (including all interest (if any) accrued to the date for redemption and any interest (if any) payable under these Terms and Conditions after that date) have been duly paid to or to the order of the Agent in the manner provided in the Agency and Payments Procedures (and, where appropriate, notice to that effect has been given to the Public Sector Bonds holders in accordance with these Terms and Conditions) and remain available for payment against presentation of the relevant Public Sector Bonds;
- (c) those Public Sector Bonds which have been purchased and cancelled under these Terms and Conditions;
- (d) those Public Sector Bonds which have become prescribed under these Terms and Conditions; and
- (e) (for the purpose only of ascertaining the principal amount of the Public Sector Bonds outstanding and without prejudice to the status for any other purpose of the relevant Public Sector Bonds) those Public Sector Bonds which are alleged to have been lost or destroyed and in respect of which replacements have been issued under these Terms and Conditions.

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

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

The Public Sector Bonds will be in book-entry form ("*forma escritural*") and title to the Public Sector 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 Public Sector

Bonds. The Public Sector Bonds will be registered by Interbolsa. Each person shown in the records of an Interbolsa Participant as having an interest in Public Sector Bonds shall be treated as the holder of the principal amount of the Public Sector Bonds recorded therein.

This Public Sector Bond may be a Fixed Rate Public Sector Bond, a Floating Rate Public Sector Bond or a Zero Coupon Public Sector Bond, depending upon the Interest Basis shown and as specified in the applicable Final Terms.

Where the applicable Final Terms specifies that an Extended Maturity Date applies to a Series of Public Sector Bonds, those Public Sector Bonds may be Fixed Rate Public Sector Bonds, Floating Rate Public Sector Bonds or Zero Coupon Public Sector Bonds in respect of the period from the Issue Date to and including the Maturity Date and Fixed Rate Public Sector Bonds or Floating Rate Public Sector 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 Public Sector Bond may be an Instalment Public Sector Bond depending upon the Redemption/Payment Basis shown in the applicable Final Terms.

The Public Sector Bonds to be issued on or after the date hereof will be issued in a denomination per unit equal to or higher than €100,000 (or its equivalent in another currency) as specified in the relevant Final Terms.

## **2. TRANSFERS OF PUBLIC SECTOR BONDS**

The transferability of the Public Sector Bonds is not restricted.

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

The holders of Public Sector 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 PUBLIC SECTOR BONDS**

The Public Sector Bonds and any interest thereon, constitute direct, unconditional, unsubordinated and secured obligations of the Issuer and rank *pari passu* without any preference among themselves. The Public Sector Bonds are securities issued in accordance with the Public Sector Bonds Law, which are secured by the Cover Pool maintained by the Issuer in accordance with the terms of the Public Sector Bonds Law, and rank *pari passu* with all other obligations of the Issuer under public sector bonds issued or to be issued by the Issuer pursuant to the Public Sector Bonds Law.

## 4. INTEREST

### 4.1 Interest on Fixed Rate Public Sector Bonds

Each Fixed Rate Public Sector 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 Rate and Payments from the Maturity Date in the event of extension of maturity of the Public Sector Bonds up to the Extend Maturity Date*), interest will be payable in arrears 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 (*Interest on Fixed Rate Public Sector Bonds*):

- (i) if “**Actual/Actual (ICMA)**” is specified in the applicable Final Terms:
  - (a) in the case of Public Sector 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 Public Sector Bonds where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
    - a. 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

- b. 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);
- (ii) “**Principal Amount Outstanding**” means in respect of a Public Sector Bond the principal amount of that Public Sector Bond on the relevant Issue Date thereof less principal amounts received by the relevant holder of the Public Sector Bond in respect thereof; and
- (iii) “**sub-unit**” means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, one cent.

## 4.2 Interest on Floating Rate Public Sector Bonds

### (A) Interest Payment Dates

Each Floating Rate Public Sector Bond (as specified in the applicable Final Terms) bears interest on its Principal Amount Outstanding from (and including) the Interest Commencement Date and such interest will be payable in arrears 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. (A) (ii) above, the Floating Rate Convention (as specified in the applicable Final Terms), such Interest Payment

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

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

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

*(B) Rate of Interest*

*Floating Rate Public Sector Bonds*

The Rate of Interest payable from time to time in respect of Floating Rate Public Sector Bonds will be determined in the manner specified in the applicable Final Terms, provided that (as set out below and detailed in the relevant Final Terms) the relevant rate of interest will be equal to the relevant reference rate plus or minus (as the case may be) the relevant Margin.

- (i) *ISDA Determination for Floating Rate Public Sector 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 Public Sector Bonds (the “**ISDA Definitions**”) and under which:

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

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

(ii) *Screen Rate Determination for Floating Rate Public Sector 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 specify 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.

(iii) *Request from Reference Banks*: If, for the purposes of the calculations described in this Condition 4.2(B) the Relevant Screen Page is not available or if no offered quotations appear thereon, and at that date no Benchmark Event has been determined yet, the Agent or, where the applicable Final Terms specify a Calculation Agent, the Calculation Agent so specified shall request each of the Reference Banks to provide the Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate 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 (as specified in the applicable Final Terms) in question. If two or more of the Reference Banks provide the Agent with such offered

quotations, the Rate of Interest for such Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place with 0.000005 being rounded upwards) of such offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Agent or, where the applicable Final Terms specify a Calculation Agent, the Calculation Agent.

- (iv) *Determination by Agent:* If on any Interest Determination Date, one only or none of the Reference Banks provides the Agent or, where the applicable Final Terms specify a Calculation Agent, the Calculation Agent, with such offered quotations as provided in the preceding paragraph, and at that date no Benchmark Event has been determined yet, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Agent or, where the applicable Final Terms specify a Calculation Agent, the Calculation Agent, determines as being the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the rates, as communicated to (and at the request of) the Agent or, where the applicable Final Terms specify a Calculation Agent, the Calculation Agent, by the Reference Banks or any two or more of them, at which such banks were offered, at 11.00 a.m. (London time in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in the London inter-bank market (if the Reference Rate is LIBOR) or the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) plus or minus (as appropriate) the Margin (if any). However, if one only or none of the Reference Banks provide the Agent or, where the applicable Final Terms specify a Calculation Agent, the Calculation Agent, with such offered rates, at the Agent's request, the Rate of Interest for the relevant Interest Period will be the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean (rounded as provided above) of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, at 11.00 a.m. (London time in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for such purpose) informs the Agent or, where the applicable Final Terms specify a Calculation Agent, the Calculation Agent, it is quoting to leading banks in the London inter-bank market (if the Reference Rate is LIBOR) or the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) plus or minus (as appropriate) the Margin (if any). If the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined on the Interest Determination Date for the last preceding Interest Period (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period, in place of the Margin relating to that last preceding Interest Period).

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



- (iv) *Reference Rate specified in Final Terms*: If the Reference Rate from time to time in respect of Floating Rate Public Sector Bonds is specified in the applicable Final Terms as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Public Sector Bonds will be determined as provided in the applicable Final Terms.

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

If the applicable Final Terms specify 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 specify 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 specify, 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 specify a Calculation Agent, the Calculation Agent so specified, will calculate the amount of interest payable on the Floating Rate Public Sector 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)**” 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 (I) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (II) 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; and

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 specify 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 Public Sector 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 Public Sector Bonds are for the time being listed or by which they have been admitted to listing and to the holders of Public Sector 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 4.5 (*Interest on Floating Rate Sector Public Bonds*), 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 Public Sector Bonds and (in the absence of wilful default or bad faith) no liability to the Issuer, any Calculation Agent, the holders of Public Sector 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 Rate and Payments from the Maturity Date in the event of extension of maturity of the Public Sector Bonds up to the Extended Maturity Date*), interest (if any) will cease to accrue on each Public Sector Bond (or in the case of the redemption of part only of a Public Sector Bond, that part only of such Public Sector 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 Public Sector Bond have been paid; and (ii) five days after the date on which the full amount of the moneys payable in respect of such Public Sector Bond has been received by the Agent, and notice to that effect has been given to the holders of Public Sector 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 Public Sector 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 Public Sector Bonds and the maturity of those Public Sector Bonds is extended beyond the Maturity Date in accordance with Condition 6.8 (*Extension of Maturity up to Extended Maturity Date*), the Public Sector 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 Public Sector Bonds are redeemed in full or the Extended Maturity Date, subject to Condition 4.3 (*Accrual of interest*). In that event, interest shall be payable on those Public Sector Bonds at the rate determined in accordance with Condition 4.4(B) on the principal amount outstanding of the Public Sector Bonds in arrears 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 Public Sector Bonds and the maturity of those Public Sector Bonds is extended beyond the Maturity Date in accordance with Condition 6.8 (*Extension of Maturity up to Extended Maturity Date*), the rate of interest payable from time to time in respect of the principal amount outstanding of the Public Sector 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 Public Sector Bonds which are Zero Coupon Public Sector 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 (*Interest Rate and Payments from the Maturity Date in the event of extension of maturity of the Public Sector Bonds up to the Extended Maturity Date*) 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 (*Interest Rate and Payments from the Maturity Date in the event of extension of maturity of the Public Sector Bonds up to the Extended Maturity Date*) shall only apply to Public Sector Bonds to which an Extended Maturity Date is specified in the applicable Final Terms and if the Issuer fails to redeem those Public Sector Bonds (in full) on the Maturity Date (or within two Business Days thereafter) and the maturity of those Public Sector Bonds is automatically extended up to the Extended Maturity Date in accordance with Condition 6.8 (*Extension of Maturity up to Extended Maturity Date*).

#### **4.5 Benchmark discontinuation**

(A) *Independent Adviser*

If a Benchmark Event occurs in relation to an Original Reference Rate when any Rate of Interest (or any component part thereof) remains to be determined by reference to such Original Reference Rate, then the Issuer shall use its reasonable endeavours to appoint an Independent Adviser, as soon as reasonably practicable, with a view to the Issuer determining a Successor Rate (subject to the terms of this Condition 4.5, failing which an Alternative Rate (in accordance with Condition 4.5(B)) and, in either case, an Adjustment Spread if any (in accordance with Condition 4.5(C)) and any Benchmark Amendments (in accordance with Condition 4.5(D)).

An Independent Adviser appointed pursuant to this Condition 4.5 shall act in good faith and in a commercially reasonable manner as an expert. In the absence of bad faith or fraud, the Independent Adviser shall have no liability whatsoever to the Issuer, the Paying Agent, or the holders of Public Sector Bonds for any advice given to the Issuer in connection with any determination made by the Issuer pursuant to this Condition 4.5(A).

If (1) the Issuer is unable to appoint an Independent Adviser; or (2) the Issuer fails to determine a Successor Rate or, failing which, an Alternative Rate in accordance with this Condition 4.5(A) prior to the relevant Interest Determination Date, as applicable, the Rate of Interest applicable to the next succeeding Interest Period, as applicable, shall be equal to the Rate of Interest last determined in relation to the Public Sector Bonds in respect of the immediately preceding Interest Period, respectively. If there has not been a first Interest Payment Date, the Rate of Interest shall be the initial Rate of Interest.

Where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Period, as applicable, from that which applied to the last preceding Interest Period, respectively, the Margin or Maximum or Minimum Rate of Interest, relating to the relevant Interest Period, respectively, shall be substituted in place of the Margin or Maximum or Minimum Rate of Interest, relating to the relevant last preceding Interest Period, respectively. For the avoidance of doubt, this Condition 4.5(A) shall apply to the relevant next succeeding Interest Period only and any subsequent Interest Periods are subject to the subsequent operation of, and to adjustment as provided in, the first paragraph of this Condition 4.5(A).

Where the Issuer has been unable to appoint an Independent Adviser or has failed to determine a Successor Rate or Alternative Rate in respect of any given Interest Period, as the case may be, it will continue to attempt to appoint an Independent Adviser in a timely manner before the next succeeding Interest Determination Date, respectively, and/or to determine a Successor Rate or Alternative Rate to apply the next succeeding and any subsequent Reset Periods or Interest Periods, respectively, as necessary.

(B) *Successor Rate or Alternative Rate*

If the Issuer, following consultation with the Independent Adviser and acting in good faith and in a commercially reasonable manner, determines that: (1) there is a Successor Rate, then such Successor Rate shall (subject to adjustment as provided in Condition 4.5(C) subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof), as applicable, for all future payments of interest on the Public Sector Bonds (subject to the operation of this Condition 4.5; or (2) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate shall (subject to adjustment as provided in Condition 4.5(C) subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof), as applicable, for all future payments of interest on the Public Sector Bonds (subject to the operation of this Condition 4.5).

(C) *Adjustment Spread*

If the Issuer, following consultation with the Independent Adviser and acting in good faith and in a commercially reasonable manner, determines (1) that an Adjustment Spread is required to be applied to the Successor Rate or the Alternative Rate (as the case may be) and (2) the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall be applied to the Successor Rate or the Alternative Rate (as the case may be).

(D) *Benchmark Amendments*

If any Successor Rate, Alternative Rate or Adjustment Spread is determined in accordance with this Condition 4.5(A) and the Issuer, following consultation with the Independent Adviser, and acting in good faith and in a commercially reasonable manner, determines (i) that amendments to these Terms and Conditions are necessary to ensure the proper operation of such Successor Rate, Alternative Rate and/or Adjustment Spread (such amendments, the “**Benchmark Amendments**”) and (ii) the terms of the Benchmark Amendments, then the Issuer shall, subject to giving notice thereof in accordance with Condition 4.5(E), without any requirement for the consent or approval of holders of Public Sector Bonds, vary these Terms and Conditions to give effect to such Benchmark Amendments with effect from the date specified in such notice.

(E) *Notices*

Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments, determined under this Condition 4.5 will be notified promptly by the Issuer to the Calculation Agent, the Paying Agents and, in accordance with Condition 11 (*Notices*), the holders of Public Sector Bonds. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.

(F) *Survival of Original Reference Rate*

Without prejudice to the obligations of the Issuer under Conditions 4.5(A), 4.5(B), 4.5(C) and 4.5(D), the Original Reference Rate will continue to apply unless and until a Benchmark Event has occurred. Upon the occurrence of a Benchmark Event, this Condition 4.5 shall prevail.

Notwithstanding any other provision of this Condition 4.5, if in the Calculation Agent's opinion there is any uncertainty between two or more alternative courses of action in making any determination or calculation under this Condition 4.5, the Calculation Agent shall promptly notify the Issuer thereof and the Issuer shall direct the Calculation Agent in writing as to which alternative course of action to adopt. If the Calculation Agent is not promptly provided with such direction, or is otherwise unable to make such calculation or determination for any reason, it shall notify the Issuer thereof and the Calculation Agent shall be under no obligation to make such calculation or determination and shall not incur any liability for not doing so.

Notwithstanding any other provision of this Condition 4.5 neither the Agent, nor the Calculation Agent shall be obliged to concur with the Issuer and / or the Independent Adviser in respect of any Benchmark Amendments which, in the sole opinion of the Agent or the Calculation Agent (as applicable), would have the effect of (i) exposing the Agent or Calculation Agent (as applicable) to any liability against which it has not been indemnified and/or secured and/or prefunded to its satisfaction or (ii) increasing the obligations or duties, or decreasing the rights or protections, of the Agent or the Calculation Agent (as applicable) in the Agency and Payment Procedures and/or these Conditions.

For avoidance of doubts, neither the appointment of an Independent Adviser or the determination of a new Benchmark will be subject to the previous approval of the holders of the Public Sector Bonds (to be obtained in a meeting of holders of Public Sector Bonds).

## **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 State, and District of Columbia, its territories, its possessions and other areas subject to its jurisdiction or by cheque drawn on a US bank. In no event will payment be made by a cheque mailed to an address in the United States. All payments of interest will be made to accounts outside the United States except as may be permitted by United States tax law in effect at the time of such payment without detriment to the Issuer.

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

## **5.2 Payments in relation to Public Sector Bonds**

Payments of principal and interest in respect of Public Sector Bonds may only be made in Euro, United States dollar, Japanese yen and Swiss franc until such date as Interbolsa accepts registration and clearing of securities denominated in currencies other than Euro, United States dollar, Japanese yen and Swiss franc.

Payment of principal and interest in respect of the Public Sector Bonds will be (i) credited, according to the procedures and regulations of Interbolsa, by the Paying Agent (acting on behalf of the Issuer) to the payment current-accounts held in the payment system of the Bank of Portugal by the Interbolsa Participants whose control accounts with Interbolsa are credited with such Public Sector Bonds and thereafter (ii) credited by such Interbolsa Participants from the aforementioned payment current-accounts to the accounts of the owners of those Public Sector Bonds or to the accounts with Euroclear and Clearstream Luxembourg of the beneficial owners of those Public Sector Bonds, as applicable, in accordance with the rules and procedures of Interbolsa, Euroclear or Clearstream, Luxembourg, as the case may be.

## **5.3 Payment Day**

If the date for payment of any amount in respect of any Public Sector Bond is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, “**Payment Day**” means any day which (subject to Condition 8 (*Prescription*)) is a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:

- (i) the relevant place of presentation; or;
- (ii) any Additional Financial Centre specified in the applicable Final Terms; and (ii) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in



foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than the place of presentation and any Additional Financial Centre and which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney or Auckland, respectively) or (2) in relation to any sum payable in euro, a day on which the TARGET System is open:

provided that such a day is a business day for the purposes of the centralised system operated by Interbolsa (as defined by a notice of Interbolsa, according to which such a business day corresponds to a day on which the TARGET system is open).

#### **5.4 Interpretation of principal**

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

- (i) the Final Redemption Amount of the Public Sector Bonds;
- (ii) the Optional Redemption Amount(s) (if any) of the Public Sector Bonds;
- (iii) in relation to Public Sector 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 Public Sector Bonds.

### **6. REDEMPTION AND PURCHASE**

#### **6.1 Final redemption**

Subject to Condition 6.8 (*Extension of Maturity up to Extended Maturity Date*), unless previously redeemed or purchased and cancelled or extended as specified below, each Public Sector 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 Public Sector Bonds (which notice shall be irrevocable) redeem all or some only (as specified in the applicable Final Terms) of the Public Sector 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 Public Sector 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 Public Sector Bonds, the nominal amount of all outstanding Public Sector Bonds will be redeemed proportionally.

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

If Investor Put Option is specified in the applicable Final Terms, upon the holder of any Public Sector 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 Public Sector 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 Public Sector Bond the holder of this Public Sector Bond must deliver, at the specified office of any Paying Agent at any time during normal business hours of such Paying Agent, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent and in which the holder must specify a bank account to which payment is to be made under this Condition. The right to require redemption will be exercised directly against the Issuer, through the Paying Agent.

### **6.4 Instalments**

Instalment Public Sector 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 Public Sector Bonds at any price in the open market or otherwise. Such Public Sector Bonds may be held, resold or, at the option of the Issuer, transferred to any Paying Agent for cancellation.

### **6.6 Cancellation**

All Public Sector Bonds which are redeemed will forthwith be cancelled. All Public Sector Bonds so cancelled and any Public Sector Bonds purchased and transferred for cancellation pursuant to Condition 6.5 (*Purchases*) above shall be cancelled by Interbolsa and cannot be held, reissued or resold.

### **6.7 Late payment on Zero Coupon Public Sector Bonds**

If the amount payable in respect of any Zero Coupon Public Sector Bond to which Condition 6.8 (*Extension of Maturity up to Extended Maturity Date*) does not apply, upon redemption of such Zero Coupon Public Sector Bond pursuant to paragraph 6.1 (*Final redemption*), 6.2 (*Redemption at the option of the Issuer (Call Option)*) or 6.3 (*Redemption at the option of the holders of Public Sector Bonds (Put Option)*) above or upon

its becoming due and repayable as provided in Condition 9 (*Events of Default*) is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Public Sector Bond shall be the amount calculated according to the following formula:

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

where:

**RP** means the Reference Price; and

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

**y** is a fraction, the denominator of which is 360 and the numerator of which is equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Public Sector 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 Public Sector Bond have been paid; and
- (ii) the date on which the full amount of the moneys payable in respect of such Zero Coupon Public Sector Bonds has been received by the Agent and notice to that effect has been given to the holders of Public Sector 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 Public Sector 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 Public Sector Bonds and the Issuer fails to redeem all of those Public Sector Bonds in full on the Maturity Date or within two Business Days thereafter, the maturity of the Public Sector Bonds and the date on which such Public Sector 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 Public Sector 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 Public Sector 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 Public Sector 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 Public Sector Bonds which are Zero Coupon Public Sector 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 Public Sector Bonds under this Condition 6.8 (*Extension of Maturity up to Extended Maturity Date*) shall be irrevocable. Where this Condition 6.8 (*Extension of Maturity up to Extended Maturity Date*) applies, any failure to redeem the Public Sector Bonds on the Maturity Date or any extension of the maturity of Public Sector Bonds under this Condition 6.8 (*Extension of Maturity up to Extended Maturity Date*) shall not constitute an event of default for any purpose or give any holder of Public Sector Bonds any right to receive any payment of interest, principal or otherwise on the relevant Public Sector Bonds other than as expressly set out in these Terms and Conditions.

(E) In the event of the extension of the maturity of Public Sector Bonds under this Condition 6.8 (*Extension of Maturity up to Extended Maturity Date*), interest rates, interest periods and interest payment dates on the Public Sector 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 (*Interest Rate and Payments from the Maturity Date in the event of extension of maturity of the Public Sector Bonds up to the Extended Maturity Date*).

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

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

(H) This Condition 6.8 (*Extension of Maturity up to Extended Maturity Date*) shall only apply to Public Sector Bonds to which an Extended Maturity Date is specified in the applicable Final Terms and if the Issuer fails to redeem those Public Sector 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 Public Sector Bonds will be made subject to any legally applicable Tax withholding or deductions (notably in relation to residents for tax purposes in Portugal), except if any Tax withholding exemption or waiver applies, in which case such payments of

principal and interest in respect of the Public Sector Bonds shall be made free and clear of, and without withholding or deduction for, Taxes (investors being in any case required to comply with the applicable obligations). The Issuer will not be obliged to make any additional payments in respect of any such withholding or deduction imposed. In order for withholding tax not to apply the holders of the Public Sector Bonds must, inter alia, deliver certain tax certifications. See Taxation section.

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

Neither the Issuer nor the Paying Agent will be obliged to pay any additional amounts to the holders of Public Sector Bonds in respect of any Tax Deduction made in accordance with Condition 7.1 (*Payment free of taxes*).

## **7.3 Taxing Jurisdiction**

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

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

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

## **8. PRESCRIPTION**

The Public Sector 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 thereof, subject in each case to the provisions of Condition 5 (*Payments*). As used in these Terms and Conditions, “Relevant Date” means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Agent on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the holders of Public Sector Bonds in accordance with Condition 11 (*Notices*).

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

### **9.1 Insolvency Event**

Pursuant to the Public Sector Bonds Law, if an Insolvency Event in respect of the Issuer occurs, and without prejudice to the specific terms and conditions established for a particular issue of Public Sector Bonds, the holders of Public Sector Bonds may approve a Resolution, by a majority of 2/3 of the Principal Amount Outstanding of the Public Sector Bonds of all Series then outstanding, to determine the serving of an

Acceleration Notice, in which case all outstanding Public Sector Bonds shall immediately become due and payable each at their Early Redemption Amount together with accrued interest.

If an Insolvency Event in respect of the Issuer occurs, the holders of Public Sector Bonds enjoy, under the Public Sector Bonds Law, a special creditor privilege over the Cover Pool (including the Public Sector 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 Public Sector Bonds. Pursuant to the Public Sector Bonds Law, the Common Representative and the Hedge Counterparties also benefit from this special creditor privilege, which is not subject to registration.

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

## **9.2 Enforcement**

(A) Following the approval of a Resolution as described in Condition 9.1 (*Insolvency Event*), the holders of the Public Sector 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 Public Sector Bonds.

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

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

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

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

(B) The Agent may not resign its duties or be removed from office without a successor having been appointed as aforesaid. The Issuer is entitled to vary or terminate the appointment of any Paying Agent and/or appoint additional or other Paying Agents and/or approve any change in the specified office through which any Paying Agent acts, provided that:

- (i) there will at all times be an Agent; and
- (ii) the Issuer will, so long as any of the Public Sector 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.

## **11. NOTICES**

Notices to the holders of Public Sector Bonds shall, in respect of the Public Sector Bonds listed on Euronext Lisbon, be published on the Euronext bulletin (if applicable) and on the CMVM's information system ([www.cmvm.pt](http://www.cmvm.pt)). Furthermore, any such notice shall be disclosed by any further means required to allow a fast access by all holders of Public Sector Bonds throughout the EU and shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made, as provided above.

All notices regarding the Public Sector Bonds shall comply with the applicable Portuguese law requirements, notably the CMVM's Regulation no. 5/2008, of 15 October, as amended from time to time.

## **12. MEETINGS OF HOLDERS OF PUBLIC SECTOR BONDS**

(A) The Portuguese Commercial Companies Code, which applies to Public Sector Bonds in accordance with Article 14.1 of the Public Sector Bonds Law, contains provisions for convening meetings of the holders of Public Sector Bonds to consider any matter attributed to them by law and in their common interest (which provisions are described and supplemented in the Common Representative Appointment Agreement), including the modification by Resolution of these Terms and Conditions or the provisions of the Common Representative Appointment Agreement.

(B) The quorum at any meeting convened to vote on: (i) a Resolution not regarding a Reserved Matter will be any person or persons holding or representing holders of the Public Sector Bonds of the relevant Series, whatever the Principal Amount Outstanding of the Public Sector Bonds then outstanding so held or represented in such Series; or (ii) a Resolution regarding a Reserved Matter of the Public Sector Bonds, will be any person or persons holding or representing at least 50 per cent. of the Principal Amount Outstanding of the Public Sector Bonds of the relevant Series then outstanding or, at any adjourned meeting, any person being or representing holders of Public Sector Bonds of the relevant Series, whatever the Principal Amount Outstanding of the Public Sector Bonds then outstanding so held or represented in such Series; or (iii) a Resolution regarding any increase of the charges to the holders of the Public Sector Bonds, will be any person or persons holding or representing all of the Public Sector Bonds of the relevant series then outstanding. Each Public Sector 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 Public Sector Bonds then outstanding or, at any adjourned meeting 2/3 of the votes cast at the relevant meeting; or (iii) if in respect of a Resolution

regarding any increase of the charges to the holders of the Public Sector Bonds, unanimity by all holders of the Public Sector Bonds of the relevant series then outstanding.

For the purposes of these Terms and Conditions, a “**Reserved Matter**” means any proposal: (i) to change any date fixed for payment of principal or interest in respect of the Public Sector 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 Public Sector Bonds of all or of a given Series or to alter the method of calculating the amount of any payment in respect of the Public Sector Bonds of all or of a given Series on redemption or maturity; (iii) to effect the exchange, substitution or conversion of the Public Sector 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 Public Sector 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 Public Sector Bonds of all or of a given Series; (vi) any other provided for pursuant to Portuguese law; or (vii) to amend this definition;

(D) A Resolution approved at any meeting of the holders of Public Sector Bonds of a Series shall, subject as provided below, be binding on all the holders of Public Sector 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 Public Sector Bonds of more than one Series if in the opinion of the Common Representative there is no conflict between the holders of such Public Sector 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 Public Sector Bonds pursuant to Condition 9 (*Events of Default and Enforcement*) or to direct the Common Representative to take any enforcement action (each a “**Programme Resolution**”) shall only be capable of being passed at a single meeting of the holders of Public Sector Bonds of all Series then outstanding.

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

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

(H) In connection with any meeting of the holders of Public Sector Bonds of more than one Series where such Public Sector Bonds are not denominated in euro, the nominal amount of the Public Sector 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 Public Sector 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 Public Sector Bonds by a Resolution or by a written resolution of such holders



of Public Sector Bonds of at least the majority of the Principal Amount Outstanding of Public Sector 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 Public Sector 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 Public Sector 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 Public Sector 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 PUBLIC SECTOR BONDS**

Should any Public Sector Bond be lost or destroyed it may be replaced, in accordance with article 51 of the Portuguese Securities Code, at the specified office of the financial intermediary where such Public Sector Bond is registered upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require.

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

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

For so long as the Public Sector Bonds are outstanding, and regardless of the time of issue of the Public Sector Bonds, the Value (determined in accordance with the Public Sector Bonds Law and the Bank of Portugal Regulations) of the Cover Pool maintained by the Issuer shall at all times be a minimum of 100 per cent. of the aggregate Value of all outstanding Public Sector Bonds issued pursuant to article 32 of the Public Sector 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 “**Collateralisation Percentage**”), provided that the Collateralisation Percentage shall not, for so long as there are Public Sector Bonds outstanding and rated by Moody’s, be reduced by the issuer below 107 per cent.

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

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

((A) *Asset Cover*: the aggregate value of the Other Assets may not exceed 20 per cent. of the aggregate value of the Cover Pool;

(B) *Average Maturity*: the remaining average Maturity of all outstanding Public Sector Bonds is at all times shorter than the remaining average Maturity of the Cover Pool entered in the Register;

(C) *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 Public Sector Bonds;

(D) *Valuations*: all the required valuations of Public Sector Bonds, Public Sector Credits over the central administrations, regional or local authorities of any EU Member State as well as Public Sector Credits benefiting from an express and legally binding guarantee issued by any of such entities, Hedging Contracts and Other Assets will be made in compliance with the requirements of the Public Sector Bonds Law and the Bank of Portugal Regulations (in particular Notice 6/2006);

(E) *Cover Pool Monitor*: the Cover Pool Monitor will be provided with all necessary elements and information to monitor compliance by the Issuer of Condition 15 (*Overcollateralisation, Valuation of Cover Pool and Issuer Covenants*) in accordance with the Public Sector Bonds Law and in the terms set forth in the Cover Pool Monitor Agreement;

(F) *Public Sector Credits*: the Public Sector Credits over the central administrations, regional or local authorities of any EU Member State as well as Public Sector Credits benefiting from an express and legally binding guarantee issued by any of such entities included in the Cover Pool are not Non-Performing Public Sector Credits;

(G) *Liabilities*: the net present value of the liabilities arising from issues of Public Sector 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 Public Sector Bonds to create and issue further securities with the same terms and conditions of the Public Sector 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 Public Sector Bonds of such Series.

## **17. GOVERNING LAW**

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

## 18. DEFINITIONS

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

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

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

“**Adjustment Spread**” means either a spread (which may be positive or negative), or the formula or methodology for calculating a spread, in either case, which the Issuer, following consultation with the Independent Adviser and acting in good faith and in a commercially reasonable manner, determines is required to be applied to the Successor Rate or the Alternative Rate (as the case may be) to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as the case may be) to holders of Public Sector Bonds as a result of the replacement of the Original Reference Rate with the Successor Rate or the Alternative Rate (as the case may be) and is the spread, formula or methodology which: (1) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body; or (if no such recommendation has been made, or in the case of an Alternative Rate); (2) the Issuer, following consultation with the Independent Adviser and acting in good faith and in a commercially reasonable manner, determines, is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be); (or if the Issuer determines that no such industry standard is recognised or acknowledged); (3) the Issuer, in its discretion, following consultation with the Independent Adviser and acting in good faith and in a commercially reasonable manner, determines to be appropriate.

“**Agency and Payments Procedures**” means the set of agency and payments procedures (such agency and payments procedures as amended and/or supplemented and/or restated) dated 19 June, 2008 and made and agreed by Banco BPI, S.A. (acting in its capacity as Agent, which expression shall include any successor) and by any subsequent agent, paying agent, transfer agent and/or agent bank appointed by the Issuer, as amended.

“**Agent**” means Banco BPI, S.A., with head office at Rua Tenente Valadim, no. 284, 4100-476 Porto.

“**Alternative Rate**” means an alternative benchmark or screen rate which the Issuer following consultation with the Independent Adviser and acting in good faith and in a commercially reasonable manner, determines in accordance with Condition 4.5(B) is customary in market usage in the international debt capital markets for the purposes of determining floating rates of interest (or the relevant component part thereof) in the same Specified Currency as the Public Sector Bonds.

“**Banco BPI**” or “**BPI**” means Banco BPI, S.A., with head office at Rua Tenente Valadim, no. 284, 4100-476 Porto.

“**Bank of Portugal Regulations**” means the legislation passed by the Bank of Portugal regulating certain aspects of the Public Sector Bonds Law, namely Notice 5/2006, Notice 6/2006, Notice 8/2006, Instruction

13//2006 and any relevant regulations or instructions that may be issued by the Bank of Portugal in the future.

“**Base Prospectus**” means the base prospectus dated 20 August 2020, prepared in connection with the Programme.

“**Benchmark Amendments**” has the meaning given to it in Condition 4.5(D).

“**Benchmark Event**” means:

(1) the Original Reference Rate ceasing to exist or ceasing to be published for a period of at least 5 Business Days in relation to a Rate of Interest of Floating Rate; or

(2) a public statement by the administrator of the Original Reference Rate that it will, by a specified date within the following six months, cease publishing the Original Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Original Reference Rate); or

(3) a public statement by the supervisor of the administrator of the Original Reference Rate, that the Original Reference Rate has been or will, by a specified date within the following six months, be permanently or indefinitely discontinued; or

(4) a public statement by the supervisor of the administrator of the Original Reference Rate as a consequence of which the Original Reference Rate will be prohibited from being used either generally, or in respect of the Public Sector Bonds, in each case within the following six months; or

(5) it has become unlawful for the Paying Agent, Calculation Agent, the Issuer or other party to calculate any payments due to be made to any holder of Public Sector Bonds using the Original Reference Rate, the occurrence of any such events (1) to (5) above to be determined by the Issuer.

“**Calculation Agent**” except if and where defined otherwise in this Base Prospectus, has the meaning ascribed to it in the Final Terms.

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

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

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

“**Common Representative**” means BNP Paribas Trust Corporation UK Limited, in its capacity as representative of the holders of the Public Sector Bonds pursuant to Article 14 of the Public Sector Bonds Law in accordance with the Terms and Conditions and the terms of the Common Representative Appointment Agreement, having its registered office at 10 Harewood Avenue, London, NW1 6AA, United Kingdom.

“**Common Representative Appointment Agreement**” means the agreement dated 19 June 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, as amended from time to time.

“**Condition**” means a reference to a particular numbered condition set out in the “Terms and Conditions of the Public Sector Bonds”.

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

“**Cover Pool Monitor**” means Pricewaterhousecoopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda., member of the Portuguese Institute of Statutory Auditors (“*Ordem dos Revisores Oficiais de Contas*”) with number 183 and registered with the CMVM with registration number 20161485, with its registered office at Palácio SottoMayor, Rua Sousa Martins, no. 1, 3<sup>rd</sup>, 1069-316 Lisbon, Portugal.

“**Cover Pool Monitor Agreement**” means the agreement dated 19 June, 2008 entered into between the Issuer and the Cover Pool Monitor, as amended from time to time.

“**CRA Regulation**” means Regulation (EC) no. 1060/2009 of the European Parliament and of the Council of 16 September, as amended from time to time.

“**DBRS**” means DBRS Ratings Limited, which as it is not established in the EU and has not applied for registration under the CRA Regulation, issues ratings that are endorsed in accordance with the CRA Regulation by DBRS Ratings Limited (entity registered with the European Securities and Markets Authority under the CRA Regulation).

“**Dealer**” means Banco BPI, S.A., with head office at Rua Tenente Valadim, no. 284, Porto.

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

“**EU**” means the European Union.

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

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

“**Euronext Lisbon**” means the regulated market managed by Euronext Lisbon - Sociedade Gestora de Mercados Regulamentados, S.A.

“**Eurosystem**” means the monetary authority which comprises the ECB and the national central banks of the EU Member States whose currency is the Euro.

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

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

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

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

“**Independent Adviser**” means an independent financial institution of international repute or an independent financial adviser with appropriate expertise in the international capital markets, in each case appointed by the Issuer under Condition 4.5(A).

“**Instruction 13/2006**” means the regulatory instruction (“*Instrução*”) no. 13/2006 issued by the Bank of Portugal and published on 15 November 2006, relating to certain information duties applicable in relation to the issue of public sector bonds in accordance with the Public Sector Bonds Law.

“**Interbolsa**” means Interbolsa – Sociedade Gestora de Sistemas de Liquidação e de Sistemas Centralizados de Valores Mobiliários, S.A. as management entity of the Portuguese Centralised System of Registration of Securities (*Central de Valores Mobiliários*).

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

“**Interest Amount**” means, as applicable, the amount of interest payable on the Floating Rate Public Sector Bonds in respect of 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 Public Sector Bond, the date of issue and purchase of such Public Sector Bond pursuant to and in accordance with the Programme Agreement or any other agreement between the Issuer and the relevant Dealer(s).

“**Margin**” means the margin specified as such in the relevant Final Terms.

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

“**Moody's**” means Moody's Investors Service Ltd., which is registered with the European Securities and Markets Authority under the CRA Regulation.

“**Non-Performing Public Sector Credits**” means, with respect to a Public Sector Credit, that such Public Sector 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.

“**Notice 5/2006**” means the regulatory notice (“*Aviso*”) no. 5/2006 issued by the Bank of Portugal and published on 11 October 2006, relating to the valuation of real estate assets serving as security for mortgage

credits comprised in cover pools allocated to the issue of public sector bonds in accordance with the Public Sector Bonds Law.

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

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

“**Original Reference Rate**” means the originally-specified benchmark or screen rate (as applicable) used to determine the Rate of Interest (or any component part thereof), as applicable, on the Public Sector Bonds.

“**Other Assets**” means all assets other than Public Sector Credits and Hedging Contracts which comply with the eligibility criteria established in the Public Sector 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 Hedging Contracts.

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

“**Paying Agent**” means Banco BPI, S.A.

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

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

“**Portuguese Securities Code**” means Decree-Law no. 486/99, of 13 November, as amended from time to time.

“**Programme**” means the €2,000,000,000 public sector bonds programme established on 19 June, 2008 for the issuance of Public Sector Bonds by the Issuer as described in this Base Prospectus.

**“Programme Agreement”** means the agreement dated 19 June, 2008 entered into between the Issuer and the Dealer, as amended from time to time.

**“Programme Documents”** means the Base Prospectus, the Programme Agreement, the Agency and Payments Procedures, the Common Representative Appointment Agreement, the Cover Pool Monitor Agreement and any other agreement or document entered into from time to time by the Issuer pursuant thereto and in relation to the Programme.

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

**“Public Sector Bond”** means any public sector bond issued by the Issuer pursuant to the Public Sector Bonds Law in the form specified in the applicable Final Terms and **“Public Sector Bonds”** shall be construed accordingly.

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

**“Public Sector Credit”** means the credit receivables over the central administrations, regional or local authorities of any EU Member State as well as receivables benefiting from an express and legally binding guarantee issued by any of such entities which are comprised in the Cover Pool.

**“Rating Agencies”** means Moody’s which is registered with the European Securities and Markets Authority under the CRA Regulation; DBRS which as it is not established in the EU and has not applied for registration under the CRA Regulation, issues ratings that are endorsed in accordance with the CRA Regulation by DBRS Ratings Limited, which is registered with the European Securities and Markets Authority under the CRA Regulation; and any other rating agency registered under the same CRA Regulation.

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

**“Reference Price”** means the reference price appearing in the relevant Final Terms.

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

**“Registered Public Sector Bond”** means any public sector bond in registered form.

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

**“Relevant Nominating Body”** means, in respect of a benchmark or screen rate (as applicable):



(1) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable); or

(2) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (a) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, (b) any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable), (c) a group of the aforementioned central banks or other supervisory authorities or (d) the Financial Stability Board or any part thereof.

“**Relevant Screen Page**” has the meaning ascribed to it in the Final Terms.

“**Reserved Matter**” means any proposal: (i) to change any date fixed for payment of principal or interest in respect of the Public Sector 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 Public Sector Bonds of all or of a given Series or to alter the method of calculating the amount of any payment in respect of the Public Sector Bonds of all or of a given Series on redemption or maturity; (iii) to effect the exchange, substitution or conversion of the Public Sector 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 Public Sector 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 Public Sector Bonds of all or of a given Series; (vi) any other provided for pursuant to Portuguese law; or (vii) to amend this definition.

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

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

“**Series**” means a Tranche of Public Sector Bonds together with any further Tranche or Tranches of Public Sector 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.

“**Stock Exchange**” means *Euronext* Lisbon or any other stock exchange where Public Sector Bonds may be listed as per the relevant Final Terms and references herein to the relevant Stock Exchange shall, in relation to any Public Sector Bonds, be references to the stock exchange or stock exchanges on which such Public Sector Bonds are from time to time, or are intended to be, listed.

“**Successor Rate**” means a successor to or replacement of the Original Reference Rate which is formally recommended by any Relevant Nominating Body.

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

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

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

“**Tax Authority**” means any government, state, municipal, local, federal or other fiscal, revenue, customs or excise authority, body or official anywhere in the world exercising a fiscal, revenue, customs or excise function including, the Portuguese Tax and Customs Authority, 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 Public Sector Bonds, the terms and conditions to be endorsed on or applied to the Public Sector Bonds and any reference to a particular numbered Condition shall be construed in relation to the Public Sector Bonds accordingly.

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

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

“**Value**” means:

- (a) in relation to a Public Sector Credit, for the purpose of the Collateralisation Percentage, an amount equal to the book value of such Public Sector Credit entered on the Register, together with any matured and accrued interest;
- (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 PUBLIC SECTOR BONDS

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

### ISSUER REQUIRED TO MAINTAIN COVER POOL

The Issuer may issue Public Sector Bonds only if it maintains a related Cover Pool in compliance with the Public Sector Bonds Law. The Cover Pool may contain credit assets over the central administrations, regional or local authorities of any EU Member State as well as receivables benefiting from an express and legally binding guarantee issued by any of such entities, substitution assets and other eligible assets (including hedging contracts) subject to the limitations provided for in the Public Sector Bonds Law. The Public Sector Bonds Law allows for the composition of the Cover Pool to be dynamic and does not require it to be static. Accordingly, the credit assets over the central administrations, regional or local authorities of any EU Member State as well as receivables benefiting from an express and legally binding guarantee issued by any of such entities (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 Public Sector Bonds Law and with the Bank of Portugal Regulations (as defined in *Definitions*).

To enable it to issue Public Sector Bonds, the Issuer has established and will maintain a segregated register (the “**Register**”) in relation to the Cover Pool for the purposes of the Public Sector Bonds Law. The Issuer plans to issue from time to time further Public Sector Bonds and will include in the relevant Cover Pool, additional credit assets over the central administrations, regional or local authorities of any EU Member State as well as receivables benefiting from an express and legally binding guarantee issued by any of such entities or substitution assets as security for those Public Sector Bonds in accordance with relevant provisions of the Public Sector 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 Public Sector 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 public sector credits or receivables which comply with the legal eligibility criteria described below may be included in the Cover Pool:

#### *Public Sector Credits Eligibility Criteria*

- (a) credit assets over the central administrations, regional or local authorities of any EU Member State;
- (b) receivables secured by an express and legally binding guarantee issued by the central administrations, regional or local authorities of any EU Member State.

*“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 ECB and the national central banks of the EU Member States whose currency is the euro);
- (b) current or term account deposits with credit institutions (which are not in a control or group relationship with the Issuer) having a rating 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 Public Sector Bonds issued by the Issuer.

At the date of this Base Prospectus, the Issuer intends to include in the Cover Pool public sector credits which are located in Portugal, granted to or secured by Portuguese central administrations, regional or local authorities for the purposes of the Public Sector Bonds Law.

#### **HEDGING CONTRACTS**

The Public Sector 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 Public Sector Bonds Law and described in this section.

Pursuant to the requirements of the Public Sector Bonds Law, any such hedging contract can only be entered into (i) in a regulated market of an EU Member State, or (ii) in a 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 Public Sector 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 Public Sector Bonds Law, the Register shall, in relation to each Hedging Contract, identify (i) the Public Sector 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 Public Sector 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 Public Sector 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 Public Sector Bonds issued by the Issuer. The Hedging Contracts will qualify as derivative financial instruments for the purposes of the Public Sector Bonds Law.

## **WEIGHTED AVERAGE TERM TO MATURITY**

The Public Sector 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 Public Sector Bonds may not exceed, at any time, the average maturity of the Public Sector Credits and Other Assets allocated to the relevant issuance.

## **OVERCOLLATERALISATION**

Pursuant to the Public Sector Bonds Law, the nominal principal amount of any Public Sector Bonds outstanding irrespective of the fact those Public Sector Bonds are Zero Coupon Bonds or not may not exceed 100 per cent. of the aggregate nominal amount of the Cover Pool less any Public Sector Bonds acquired by the Issuer pursuant to the Public Sector Bonds Law and not cancelled. In addition, the aggregate amount of interest payable to the holders of Public Sector Bonds may not exceed, at any time, the amount of interest to be collected under the Cover Pool (including both the Public Sector Credits and the Other Assets) allocated to the Public Sector Bonds.

In compliance with the above legal requirements, Condition 15 (*Collateralisation, Valuation of Cover Pool and Issuer Covenants*) requires the Issuer to over collateralise of the Cover Pool with respect to outstanding Public Sector Bonds at a minimum level of 107 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 the Collateralisation Percentage shall not, for so long as there are Public Sector Bonds outstanding and rated by Moody's, be reduced by the Issuer below 107 per cent.

*See Terms and Conditions of the Public Sector Bonds.*

For the purposes of the calculation by the Issuer and the Cover Pool Monitor of the level of collateralisation referred to above:

- (a) Public Sector Credits shall be included at their outstanding principal amount, together with any accrued but unpaid interest;
- (b) the Public Sector Bonds shall be accounted according to the nominal value of outstanding principal irrespective of the fact those Public Sector Bonds are Zero Coupon Bonds or not, including matured and 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 ECB as a reference.

In addition, the net present value of the liabilities arising from issues of Public Sector 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, pursuant to the Public Sector Bonds Law and in the terms set forth in the Public Sector Bonds Law and in the Cover Pool Monitor Agreement, monitor the Issuer's compliance with the financial requirements established in the Public Sector 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 Public Sector 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 public sector credit assets over the central administrations, regional or local authorities of any EU Member State or public sector credit assets benefiting from an express and legally binding guarantee issued by any of such entities, with or without substitution of those already allocated to the Public Sector Bonds; and/or
- (b) allocating additional Other Assets; and/or
- (c) acquiring Public Sector Bonds in the secondary market.

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

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

The Public Sector 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 matter that it considers relevant for determining the value of public sector credit assets over the central administrations, regional or local authorities of any EU Member State, public sector credit assets benefiting from an express and legally binding guarantee issued by any of such entities or Other Assets for the purposes of the Public Sector Bonds Law. The Public Sector 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 Notice 6/2006.

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

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

- (a) the deposits shall be accounted for according to their amount together with any accrued but unpaid interest; and
- (b) the securities eligible for Eurosystem credit transactions shall be for 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.

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

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

Pursuant to the Public Sector 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 Public Sector Bonds and the Other Preferred Creditors are fully paid and discharged.

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

- (i) the outstanding principal amount;
- (ii) the applicable interest rate;
- (iii) the applicable maturity.

Pursuant to Article 4.3 of the Public Sector 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 Public Sector Bonds may have access to the segregated register of the Cover Pool.

The segregated register must ensure the segregation between assets allocated to the mortgage covered bonds issued by the Issuer and assets allocated to the Public Sector Bonds.

### *Special creditor privilege*

Under the Public Sector Bonds Law, the holders of Public Sector Bonds enjoy a special creditor privilege over the Cover Pool (including the Public Sector 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 Public Sector Bonds. Pursuant to the Public Sector Bonds Law, this special creditor privilege applies automatically for the benefit of the holders of Public Sector Bonds, the Common Representative and the Hedge Counterparties and is not subject to registration.

The special creditor privilege (“*privilégio creditório*”) over the Public Sector Credits comprised in the Cover Pool shall prevail over all other preferential claims.

## **INSOLVENCY OF THE ISSUER**

The Public Sector Bonds Law governs the impact on the Public Sector Bonds of a possible insolvency or winding-up of the Issuer, so as to ensure due protection to the holders of Public Sector Bonds. In the event of dissolution and winding-up (including on grounds of insolvency) of the Issuer, the Public Sector 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 Public Sector Bonds. The amounts corresponding to payment of interest and repayment of principal of the Public Sector 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 Public Sector Bonds. In this situation, pursuant to the Public Sector Bonds Law, the holders of Public Sector Bonds are entitled to adopt a resolution approving the immediate acceleration of the Public Sector Bonds by a majority of at least two thirds of the votes of the holders of Public Sector 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 Public Sector Bonds.

If an Insolvency Event occurs in relation to the Issuer, the plan for 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 Public Sector Bonds and (ii) ensure that the payments of any amounts due to the holders of such Public Sector 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 Public Sector Bonds outstanding and to ensure that payments due to the holders of such Public Sector 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 Notice 8/2006, any Substitute Credit Institution appointed by the Bank of Portugal to service the Cover Pool following an Insolvency Event of the Issuer shall:

- (i) immediately upon being appointed, prepare an opening balance sheet in relation to the Cover Pool, supplemented by the corresponding explanatory notes;
- (ii) perform all acts and things necessary or desirable for the prudent management of the Cover Pool and respective guarantees in order to ensure the timely payment of all amounts due to holders of Public Sector Bonds, including, without limitation:
  - a. selling the Public Sector Credits comprised in the Cover Pool;
  - b. ensuring the timely collection in respect of the Public Sector Credits comprised in the Cover Pool;



- c. performing all other acts and administrative services in connection with such Public Sector Credits and related Additional Security;
- (iii) maintain and keep updated a segregated register of the Cover Pool in accordance with the Public Sector Bonds Law; and
- (iv) prepare an annual financial report in relation to the Cover Pool and the outstanding Public Sector 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 Public Sector 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 Public Sector Credits.

## **COMMON REPRESENTATIVE OF THE HOLDERS OF PUBLIC SECTOR BONDS**

BNP Paribas Trust Corporation UK Limited, with registered office at 10 Harewood Avenue, London, NW1 6AA, is a wholly owned subsidiary of BNP Paribas Securities Services, incorporated in the UK, authorised and regulated by the Financial Conduct Authority and has been appointed by the Issuer as representative of the holders of the Public Sector Bonds pursuant to Article 14 of the Public Sector Bonds Law and in accordance with the Terms and Conditions and the terms of the Common Representative Appointment Agreement. The Common Representative is an entity duly authorised to represent the holders of the Public Sector Bonds as per Article 14(3) of the Public Sector Bonds Law.

The Issuer has appointed the Common Representative to represent the holders of Public Sector Bonds. According to the Public Sector 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 Public Sector Bonds, namely: (a) to represent the holders of Public Sector Bonds in respect of all matters arising from the issuance of the Public Sector 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 Public Sector Bonds, in particular those where the acceleration of the Public Sector Bonds may be decided; (c) to represent the holders of Public Sector 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 Public Sector Bonds with all relevant information regarding the issuance of the Public Sector Bonds it may become aware of by virtue of its role as Common Representative under the Common Representative Appointment Agreement.

The holders of the Public Sector Bonds may at any time, by means of resolutions passed in accordance with the Terms and Conditions and the Common Representative Appointment Agreement, remove the Common Representative and appoint a new common representative. The removal of any Common Representative shall not become effective unless there shall be a Common Representative in Office after such removal.

## **COVER POOL MONITOR**

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

The Public Sector 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 Public Sector Bonds, for monitoring the compliance by the Issuer of the requirements contained in the Public Sector Bonds Law and the Bank of Portugal Regulations.

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

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 Public Sector Bonds.

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

Pursuant to the Cover Pool Monitor Agreement, dated 30 April 2008, as amended from time to time, the Issuer appointed on 22 October 2018 Pricewaterhousecoopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda. as Cover Pool Monitor. Pricewaterhousecoopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda. is registered with the CMVM under registration number 20161485.

The Cover Pool Monitor Agreement reflects the requirements of the Public Sector 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 Public Sector 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 Public Sector Bonds Law, the Cover Pool Monitor is required to monitor, for the benefit of the holders of the Public Sector Bonds, compliance by the Issuer with the financial and prudential requirements established in the Public Sector 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 (*Overcollateralisation, Valuation of Cover Pool and Issuer Covenants*).

Pursuant to the Public Sector 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 Public Sector 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 Public Sector Bonds Law and in the Bank of Portugal Regulations, in particular those requirements relating to the level of collateralisation and the valuation of assets comprised in the Cover Pool. The Cover Pool Monitor and the Issuer may agree in the production of interim reports.

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

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

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

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

## DESCRIPTION OF THE ISSUER

The Issuer is a commercial bank focused on commercial banking business in Portugal.

Banco BPI is part of the CaixaBank Group and is the fifth largest financial institution operating in Portugal<sup>13</sup> in terms of assets (€31.8 billion<sup>14</sup>), with market shares above 10 per cent. in loans and in Customer deposits.

The Issuer's business is organized around two main segments: (i) Individuals and small businesses and (ii) Corporates and Institutional Clients (Sector and the State Enterprise Sector). The Issuer offers a complete range of financial products and services, tailored to the specific needs of each segment, through a specialized, multi-channel and fully integrated distribution network. The Issuer's product offering is structured within CaixaBank's Group, e.g. investment and savings solutions are mainly provided by CaixaBank's Assets and Insurance area, namely BPI Gestão de Activos and BPI Vida e Pensões. In the insurance area, the Issuer has a stake of 35 per cent. in Allianz Portugal and a distribution agreement for non-life insurance. The distribution agreement with Allianz Portugal for life-risk insurance ends in 2020 and the Issuer has begun in February to distribute life-risk products from CaixaBank's Insurance area. In credit insurance, the Issuer has a stake of 50 per cent. in COSEC. The Issuer distributes several other products and services centrally sourced from CaixaBank Group: debit and credit cards, from CaixaBank Payments & Consumer, Acquiring and Point of Sale Terminals (POS), from Comercia Global Payments, and investment banking services, transferred to CaixaBank's Branch in Portugal, which started to operate in January 2019.

The Issuer serves 1.91 million Customers in the domestic market, with relevant market shares in the various products and services offered.

At 31 December 2019, the distribution network comprised 477 business units, of which 406 are retail branches, 1 mobile retail unit, 36 premier centres, 31 corporate and institutional centres and 3 corporate and investment banking centres.

The distribution network articulates with virtual channels, which include homebanking services (BPI Net and BPI Net Empresas), telephone banking (BPI Directo) and mobile applications (BPI Apps).

Among main banks in Portugal, the Issuer is the leader<sup>15</sup> of penetration of internet and mobile banking for private individuals and internet banking for companies. The Issuer's has a total of 45 per cent. active digital clients<sup>16</sup>.

The Issuer also holds financial investments in two African banks: 48.1 per cent. stake in Banco de Fomento Angola (BFA) share capital, which operates in commercial banking in Angola and a 35.7 per cent. stake in Banco Comercial e de Investimentos (BCI) share capital, which operates in commercial banking in Mozambique.

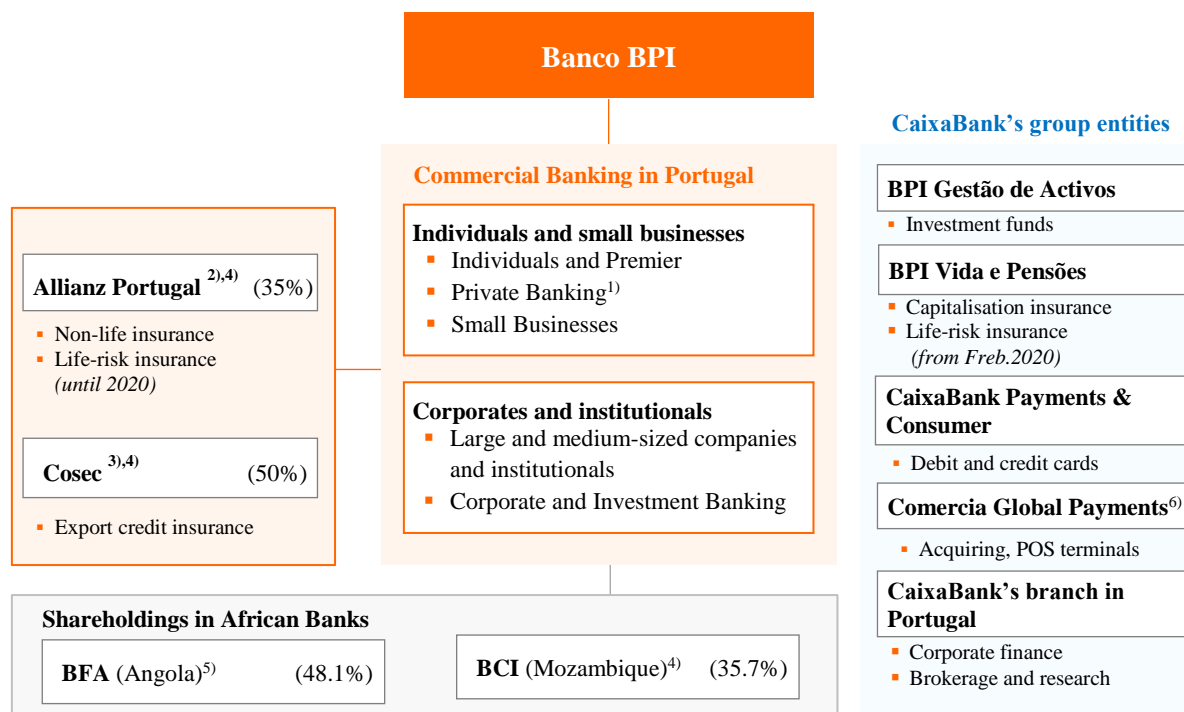
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<sup>13</sup> In terms of total assets as of 31 December 2017. Source Associação Portuguesa de Bancos (APB - Portuguese Banking Association), Statistics; and banks earnings disclosure

<sup>14</sup> As of 31 December 2018. Source: BPI calculations using public information

<sup>15</sup> According to the BASEF (2019) and DataE (2019).

<sup>16</sup> Among active first account holders (individuals and corporates).



(% of capital held by Banco BPI)

1) Includes the activity of BPI Suisse (100 per cent. held).

2) In association with Allianz, which holds 65 per cent. of the capital.

3) In association with Euler Hermes, a company of Allianz Group.

4) Equity-accounted subsidiaries.

5) At the end of 2018 BPI changed the accounting classification of its equity holding in BFA, from "associated company", consolidated by the equity method, to "financial investment", recognised under "shares at fair value through other comprehensive income".

6) Joint venture between CaixaBank and Global Payments Inc.

## HISTORY

BPI's origins date back to 1981 with the establishment of SPI - Sociedade Portuguesa de Investimentos, which had a diversified shareholder base, mainly composed of national companies, including 100 of the most dynamic Portuguese firms and four of the most important international financial institutions.

In 1985 SPI underwent a transformation that gave rise to BPI, the first Portuguese private bank set up following the reopening of the sector to private initiative, after the nationalisations of 1975. In 1986, BPI became the first bank listed on the Portuguese stock exchange.

In 1991, ten years after its creation, BPI, which in the meantime had already achieved a clear leadership in the main areas of Investment Banking, expanded its business to commercial banking through the acquisition of BFB.

In 1995 the institution was converted into a bank holding company. This reorganisation, which led to the specialisation of the Group's units, was accompanied by an important reinforcement of its shareholder structure with the entry of two new strategic partners of considerable size to team up with Itaú Group: La Caixa Group and Allianz Group.

In 1998 a pioneering merger process created a single bank under a single brand: Banco BPI.

From 1996 to 2005 the Bank pursued its growth path through mergers and acquisitions of other banks. Banco de Fomento, in Angola, was also incorporated in this period (2002), resulting from the transformation of Banco BPI's Luanda branch into a fully-fledged Angolan-law bank. In 2008 a 49.9 per cent. stake in Banco de Fomento was sold to Unitel.

In 2006 BPI completed 25 years of activity, always upholding its strategy of sustained value creation for Shareholders, Employees and Customers.

In 2012 BPI implemented a Recapitalisation Plan that involved an issue of €1.5 billion of contingent convertible subordinated bonds (CoCos) subscribed by the Portuguese State, aimed at fulfilling the recapitalisation exercise proposed by the EBA. In 2014 Banco BPI fully reimbursed the CoCos, completing the reimbursement to the State three years ahead of schedule.

In April 2016 CaixaBank, S.A., a shareholder holding on that date 44.1 per cent of Banco BPI's share capital, released a preliminary announcement of a public, general and voluntary tender offer on all the shares of Banco BPI, at the price of €1.113 per share. In September 2016, BPI's General Meeting approved the elimination of the statutory limit on the counting of votes cast by any single shareholder. As a result, a new preliminary announcement of the tender offer was published to take into account the alterations stemming from the change of the nature of the offer from voluntary to mandatory, namely in the price, now established at €1.134 per share, and in the terms of the takeover.

In 2017 the Issuer sold to Unitel an equity interest representing 2 per cent. of Banco de Fomento Angola capital. Following that transaction, the shareholdings of Banco BPI and Unitel in BFA were 48.1 per cent. and 51.9 per cent., respectively.

In February 2017, upon completion of a public tender offer, CaixaBank took over control of BPI, raising its stake from 45 per cent. to 84.51 per cent.

In May 2018 CaixaBank acquired from Allianz the entire 8,425 per cent. stake held by the latter in Banco BPI, after which it held 92.935 per cent. of BPI. On the same date, CaixaBank announced it was its intention to acquire the remaining shares to reach 100 per cent. of Banco BPI' capital.

The de-listing of the Issuer and the compulsory acquisition of any remaining shares of the Issuer by CaixaBank was concluded at the end of December 2018. As at the date of this Base Prospectus, CaixaBank owns 100 per cent. of the share capital of the Issuer.

In November 2018, BPI presented its Strategic Plan 2019-21 to the market. Under this Plan, the Issuer has five strategic priorities that aim to sustainably grow profitability, accelerate the transformation of the customer experience, develop human resources, improve efficiency and consolidate BPI's strong reputation based on the quality of service towards customers and society.

In 31 December 2018, following the loss of the Issuer’s significant influence over Banco de Fomento Angola (BFA), the equity holding in BFA was reclassified in the consolidated balance sheet from Investments in joint ventures and associates to financial assets at fair value through other comprehensive income - equity instruments, and revalued at fair value.

In January 2019, that sale of the legal positions related to share brokerage, research and corporate finance activities to CaixaBank was realized by the Issuer at the book value of the net assets of those activities at the closing date of the transaction (3.9 million euros).

## **ESTABLISHMENT AND DOMICILE**

The Issuer is domiciled in Rua Tenente Valadim, 284, 4100-476 Porto, Portugal. The telephone number of the Issuer is +351 22 2075000.

## **LEGAL FORM**

The Issuer is registered as a bank with the Bank of Portugal and operates under the legal name of “Banco BPI, S.A.”. The Issuer also operates under the commercial name of “*BPP*”. It is a limited liability company (“*Sociedade Anónima*”) under Portuguese law registered for an indefinite term in the Commercial Register of Porto, under no. 501 214 534 as at 23 October 1981.

The Legal Entity Identifier (LEI) code of the Issuer is 3DM5DPGI3W6OU6GJ4N92.

## **OBJECT AND PURPOSE**

According to its constitutional documents (in particular to article 3 of the Issuer’s Memorandum and Articles of Association), the scope of the Issuer is to carry on banking business including any additional, related or similar operations compatible with the said business to the full extent permitted by law. The Issuer may also participate in partnership association agreements, complementary corporate conglomerates or European conglomerates of economic interest and may acquire, either originally or subsequently, shares or portions of capital in public limited companies and interests in unlimited liability companies of any object whatsoever and even if subject to special laws.

## **SHAREHOLDER**

The Issuer’s sole shareholder as of 30 June 2020 is:

Shareholder	No. of shares held	% of capital held
CaixaBank, S.A.	1 456 924 237	100 per cent.



Source: BPI communication to the market dated 27 December 2018 “*Perda de qualidade de sociedade aberta do Banco BPI, S.A. – 3º Anúncio*”. Following the exercise by CaixaBank of the right for the compulsory acquisition of the remaining shares on the 27 Dec. 2018, CaixaBank now holds 100 per cent. of Banco BPI’s capital and as per public information disclosed to the market.

Currently the Issuer has a set of internal procedures and regulations which define the functions of the Executive Committee of Board of Directors, of the Nominations, Evaluation and Remunerations Committee, of the Risk Committee, of the Audit and Internal Control Committee and of the Corporate Social Responsibility Committee. These internal procedures and rules comply with applicable laws and regulations in force and governance best practices, namely in what concerns transactions with related parties and these measures implemented by the Issuer are also thought to avoid the major shareholder position’s abuse.

## **BUSINESS OVERVIEW OF THE ISSUER**

The Issuer’s Group is focused on the activity of commercial banking developed in Portugal and is organised around two main segments: (i) Individuals and small businesses and (ii) Corporates and Institutional Clients.

### Individuals and Small Businesses

The Individuals, Premier and Small Businesses Banking network was responsible at the end of 2019 for the commercial initiatives with individual Customers, small businesses and companies with turnover of up to €2 million, operating in parallel with the corporate banking network on companies up to €5 million. For this purpose, it relies on a distribution network of retail, Premier Centres and virtual branches - homebanking and telephone banking and mobile applications - which is geared towards mass-market and affluent Customers and small businesses. In BPI Premier Centres and in other specific retail branches, financial advisors offer a personalised financial advisory service to affluent Customers - high net worth Customers or Customers with potential for wealth creation.

BPI’s Private Banking, made up of a team of experts in Portugal and also comprising a 100 per cent. held subsidiary, in Switzerland - BPI Suisse - provides discretionary management and financial advice specialist services to high net worth individual Customers.

### Corporates and Institutional Clients

Corporates and Institutional Banking network was responsible at the end of 2019 for SME and large corporates with a turnover of more than 5 million (if turnover between €2 million and €5 million, corporate banking operates in parallel with the Individuals, Premier and Small Business network). This network also serves institutional clients, namely entities of the Public Sector, Public and Municipal Companies, the State Business Sector, or other institutional entities.

Corporate and Investment Banking, aiming to provide a better service by assuring an Iberian view, manages the relationship with the largest domestic business groups, insurance companies and the subsidiaries of the largest Spanish companies.

## SHARE CAPITAL

As at 31 December 2019 Banco BPI's share capital amounted to €1,293,063,324.98 and was represented by 1,456,924,237 ordinary shares with no nominal value (all issued shares are fully paid).

## SELECTED HISTORICAL KEY FINANCIAL INFORMATION

The following tables contain selected key financial information for the period ended 30 June 2020 (unaudited) and for the years ended 31 December 2018 and 2019 (audited).

### Consolidated Income Statement

In M.€	Jun 19	Jun 20
	restated <sup>17</sup>	
Net interest income	214,8	220,0
Dividend income	48,3	42,3
Equity accounted income	20,2	11,3
Net fee and commission income	127,2	118,1
Gains/(losses) on financial assets and liabilities and other	(6,3)	(17,9)
Other operating income and expenses	(24,9)	(27,1)
Gross income	379,2	346,6
Staff expenses	(122,2)	(122,4)
Other administrative expenses	(75,4)	(70,7)
Depreciation and amortisation	(26,2)	(22,8)
Operating expenses	(223,9)	(215,9)
Net operating income	155,3	130,8
Impairment losses and other provisions	10,7	(84,0)

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<sup>17</sup> At 2019 year end, the Banking sector contribution was reclassified from "Income tax" to "Other operating income and expenses". The profit and loss account for the 1st half 2019 was restated to consider this reclassification

Gains and losses in other assets	1,2	0,7
Net income before income tax	167,1	47,5
Income tax	(32,7)	(5,0)
Net income	134,5	42,6
EARNINGS PER SHARE		
	Jun 19	Jun 20
Earnings per share (€)	0,09	0,02
Average weighted nr. of shares (in millions)	1 457	1 457

#### Consolidated Balance Sheet

In M.€	Dec 19	Jun 20
<b>ASSETS</b>		
Cash and cash balances at central banks and other demand deposits	1 068,3	4 149,1
Financial assets held for trading, at fair value through profit or loss and at fair value through other comprehensive income	2 326,8	2 415,0
Financial assets at amortised cost	27 439,3	29 571,9
Of which:		
Loans to Customers	23 987,4	24 516,6
Investments in joint ventures and associates	247,2	242,1
Tangible assets	169,6	149,3
Intangible assets	65,8	73,0
Tax assets	272,5	268,2
Non-current assets and disposal groups classified as held for sale	14,6	10,0
Other assets	207,6	212,4
Total assets	31 811,6	37 091,2
<b>LIABILITIES</b>		
Financial liabilities held for trading	146,2	144,9
Financial liabilities at amortised cost	27 640,2	33 116,6
Deposits - Central Banks and Credit Institutions	2 777,1	5 661,7
Deposits - Customers	23 231,4	25 268,0
Debt securities issued	1 358,7	1 804,1
Memorandum items: subordinated liabilities	304,4	304,5
Other financial liabilities	273,0	382,8
Provisions	44,4	43,7
Tax liabilities	17,2	19,8

Other liabilities	527,4	510,1
Total Liabilities	28 375,4	33 835,1
Shareholders' equity attributable to the shareholders of BPI	3 436,1	3 256,1
Non controlling interests	0,0	0,0
Total Shareholders' equity	3 436,1	3 256,1
Total liabilities and Shareholders' equity	31 811,6	37 091,2

**BANCO BPI, S.A.**  
**CONSOLIDATED BALANCE SHEETS AS OF 31 DECEMBER 2019 AND 2018**

		(Amounts expressed in thousand euros)	
	Notes	31-12-2019	31-12-2018
<b>ASSETS</b>			
Cash and cash balances at central banks and other demand deposits	9	1 068 261	2 452 916
Financial assets held for trading	10	234 476	226 772
Financial assets not designated for trading compulsorily measured at fair value through profit or loss	11	206 066	228 582
Equity instruments		143 221	168 594
Debt securities		62 845	59 988
Financial assets at fair value through other comprehensive income	12	1 886 212	1 875 160
Equity instruments		509 168	597 740
Debt securities		1 377 044	1 277 420
Financial assets at amortised cost	13	27 439 314	25 671 943
Debt securities		4 029 677	3 516 814
Loans and advances - Central Banks and other Credit Institutions		1 452 687	790 659
Loans and advances - Customers		21 956 950	21 364 470
Derivatives - Hedge accounting	14	30 709	14 320
Fair value changes of the hedged items in portfolio hedge of interest rate risk	14	48 818	26 719
Investments in joint ventures and associates	15	247 190	209 144
Tangible assets	16	169 564	67 252
Intangible assets	17	65 848	55 126
Tax assets	25	272 456	352 763
Other assets	18	128 077	353 422
Non-current assets and disposal groups classified as held for sale	19	14 561	33 896
<b>Total assets</b>		<b>31 811 552</b>	<b>31 568 015</b>
<b>LIABILITIES</b>			
Financial liabilities held for trading	10	146 167	141 335
Financial liabilities at amortised cost	20	27 640 187	27 515 745
Deposits - Central Banks		1 374 229	1 352 843
Deposits - Credit Institutions		1 402 879	1 853 501
Deposits - Customers		23 231 413	22 960 252
Debt securities issued		1 358 699	1 118 195
<i>Memorandum items: subordinated liabilities</i>		304 440	304 514
Other financial liabilities		272 967	230 954
Derivatives - Hedge accounting	14	72 799	56 010
Fair value changes of the hedged items in portfolio hedge of interest rate risk	14	9 656	3 594
Provisions	21	44 392	65 457
Pending legal issues and tax litigation		25 656	42 245
Commitments and guarantees given		18 736	23 212
Tax liabilities	25	17 239	73 802
Other liabilities	22	444 975	506 120
<b>Total Liabilities</b>		<b>28 375 415</b>	<b>28 362 063</b>
<b>SHAREHOLDERS' EQUITY</b>			
Capital	24	1 293 063	1 293 063
Equity instruments issued other than equity	24	275 000	
Other equity	24		371
Accumulated other comprehensive income	24	( 345 273)	( 253 402)
Items that will not be reclassified to profit or loss		( 335 851)	( 232 788)
Tangible assets		703	703
Actuarial gains/ (losses) on defined benefit pension plans		( 303 951)	( 288 248)
Share of other recognised income and expense of investments in subsidiaries, joint ventures and associates		( 416)	( 1 858)
Fair value changes of equity instruments measured at fair value through other comprehensive income		( 32 187)	56 615
Items that may be reclassified to profit or loss		( 9 422)	( 20 614)
Foreign currency translation		( 33 552)	( 35 802)
Fair value changes of debt instruments measured at fair value through other comprehensive income		4 502	1 927
Share of other recognised income and expense of investments in subsidiaries, joint ventures and associates		19 628	13 261
Retained earnings	24	1 769 451	1 548 458
Other reserves	24	116 042	126 824
<b>Profit/(loss) attributable to owners of the parent</b>		<b>327 854</b>	<b>490 638</b>
<b>Total Equity</b>		<b>3 436 137</b>	<b>3 205 952</b>
<b>Total Equity and Total Liabilities</b>		<b>31 811 552</b>	<b>31 568 015</b>

**BANCO BPI, S.A.****CONSOLIDATED STATEMENTS OF PROFIT OR LOSS FOR THE YEARS ENDED ON 31 DECEMBER 2019 AND 2018**

(Amounts expressed in thousand euros)

	Notes	31-12-2019	31-12-2018 Restated
Interest income	27	528 404	510 264
Interest expenses	27	( 92 130)	( 87 688)
<b>NET INTEREST INCOME</b>		<b>436 274</b>	<b>422 576</b>
Dividend income	28	49 351	1 723
Share of profit/(loss) of entities accounted for using the equity method	15	40 726	271 556
Fee and commission income	29	280 979	319 009
Fee and commission expenses	29	( 23 079)	( 41 239)
Gains/(losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	30	( 94)	1 457
Gains/(losses) on financial assets and liabilities held for trading, net	30	4 961	39 027
Gains/(losses) on financial assets not designated for trading compulsorily measured at fair value through profit or loss, net	30	( 9 753)	60 321
Gains/(losses) from hedge accounting, net	30	3 115	1 398
Exchange differences (gain/loss), net	30	( 5 672)	( 25 328)
Other operating income	31	32 840	27 331
Other operating expenses	31	( 58 644)	( 55 532)
<b>GROSS INCOME</b>		<b>751 004</b>	<b>1 022 299</b>
Administrative expenses		( 394 154)	( 435 092)
Staff expenses	32	( 246 093)	( 262 214)
Other administrative expenses	33	( 148 061)	( 172 878)
Depreciation and amortisation		( 53 906)	( 23 827)
Provisions or reversal of provisions	21	( 2 273)	( 1 072)
Commitments and guarantees given		4 175	( 4 161)
Other provisions		( 6 448)	3 089
Impairment/(reversal) of impairment losses on financial assets not measured at fair value through profit or loss	34	39 061	48 967
Financial assets at amortised cost		39 061	48 967
Impairment/(reversal) of impairment in subsidiaries, joint ventures and associates	15	1 028	( 6 689)
Impairment/(reversal) of impairment on non-financial assets		1 672	( 1 672)
Gains/(losses) on derecognition of non-financial assets, net	36	( 1 441)	( 55 145)
Profit/(loss) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	37	3 400	( 5 131)
<b>PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS</b>		<b>344 391</b>	<b>542 638</b>
Tax expense or income related to profit or loss from continuing operations		( 16 537)	( 116 214)
<b>PROFIT/(LOSS) AFTER TAX FROM CONTINUING OPERATIONS</b>		<b>327 854</b>	<b>426 424</b>
Profit/(loss) after tax from discontinued operations	38		64 214
Profit/(loss) before tax from discontinued operations			64 955
Tax expense or income related to profit or loss from discontinued operations			( 741)
<b>PROFIT/(LOSS) FOR THE YEAR</b>		<b>327 854</b>	<b>490 638</b>
<b>PROFIT OR LOSS (-) FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT</b>	39	<b>327 854</b>	<b>490 638</b>
<b>Earnings per share (euros)</b>			
Basic	6	0.222	0.337
Diluted	6	0.222	0.337
<b>Earnings per share from continuing operations (euros)</b>			
Basic	6	0.222	0.293
Diluted	6	0.222	0.293
<b>Earnings per share from discontinued operations (euros)</b>			
Basic	6		0.044
Diluted	6		0.044

**BANCO BPI, S.A.**

**CONSOLIDATED STATEMENTS OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEARS ENDED ON 31 DECEMBER 2019 AND 2018**

(Amounts expressed in thousand euros)

	31-12-2019	31-12-2018
<b>PROFIT/(LOSS) FOR THE YEAR</b>	<b>327 854</b>	<b>490 638</b>
Other comprehensive income	( 91 870)	( 67 103)
Items that will not be reclassified to profit or loss	( 103 063)	19 955
Actuarial gains/ (losses) on defined benefit pension plans	( 21 769)	( 6 367)
Share of other recognised income and expense of investments in joint ventures and associates	1 442	( 316)
Fair value changes of equity instruments measured at fair value through other comprehensive income	( 88 135)	( 4 778)
Income tax relating to items that will not be reclassified	5 399	31 416
Items that may be reclassified to profit or loss	11 193	( 87 058)
Foreign currency translation	2 250	( 87 764)
Translation gains/(losses) taken to equity	2 250	( 245 340)
Transferred to profit or loss		157 576
Debt securities classified as fair value financial assets through other comprehensive income	3 547	1 640
Valuation gains/(losses) taken to equity	4 332	1 562
Transferred to profit or loss	( 785)	81
Other reclassifications		( 3)
Share of other recognised income and expense of investments in joint ventures and associates	6 367	( 11 578)
Income tax relating to items that may be reclassified to profit or loss	( 971)	10 644
Total comprehensive income for the year	235 984	423 535
Attributable to owners of the parent	235 984	423 535

The auditor's reports on the consolidated financial statements of the Issuer for the years ended on 31 December 2019 and on 31 December 2018 did not include any reserves.

Please refer to the complete versions of the auditor's reports included in the annual reports of the Issuer, together with the respective financial statements, which are incorporated by reference in this Prospectus.

## INVESTMENTS

There have been no material investments by the Issuer since 30 June 2020.

## RATINGS

The ratings assigned to the Issuer from time to time are available for consultation at <http://bpi.bancobpi.pt/index.asp?riIdArea=AreaDivida&riChgLng=1&riLang=en&riId=IRatings&riIdTopo=>. The long term/short term ratings currently assigned to the Issuer are Baa3/P-3 with stable outlook by Moody's, BBB / F2 with negative outlook by Fitch and BBB/A-2 with stable outlook by S&P.

Each of Fitch, S&P and Moody's is established in the European Community and has been registered in accordance with the CRA Regulation. The full list of credit rating agencies that are registered under the CRA Regulation can be found at ESMA's website.

A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

## CORPORATE GOVERNANCE

The Issuer's governance model is structured in compliance with the Portuguese Commercial Companies Code as follows:

- the company's management is entrusted to the Board of Directors which includes an Executive Committee to which the Board has delegated wide management powers for conducting the day-to-day activity. Within the ambit of the Board of Directors, three specialist commissions function, composed exclusively of non-executive members: (i) the Audit and Internal Control Committee; (ii) the Risk Committee and (iii) the Nominations, Evaluation and Remuneration Committee. In September 2017, as foreseen in the corporate statutes a Corporate Social Responsibility Committee was created.
- the oversight functions are attributed to the Supervisory Board (“*Conselho Fiscal*”) – whose key terms of reference include overseeing management, supervising compliance with the Law and the Issuer's Articles of Association, verifying the accounts, supervising the independence of the Statutory Auditor and the external auditor, as well as evaluating the work of the latter - and to the Statutory Auditor (“*Revisor Oficial de Contas*”), whose prime function is to examine and then certify the accounts.
- the General Shareholders’ Meeting, composed of all the shareholders of the Issuer, deliberates on the issues which are specifically attributed to it by the law or by the Articles of Association – including the election of the governing bodies, the approval of the directors' reports, the annual accounts, the distribution of profits, and capital increases –, as well as if so solicited by the Board of Directors, on matters dealing with the company's management.
- the Remuneration Committee, comprising three members, is elected by the General Shareholders’ Meeting. The Committee sets out the remuneration of the officers serving on the Issuer's governing bodies. It is bound to observe the limits defined by the General Shareholders’ Meeting as regards the fixed compensation of the members of the Board of Directors and the variable compensation of the Executive Committee.
- the Company Secretary is appointed by the Board of Directors and performs the functions contemplated in the law and others attributed pursuant to the Articles of Association of the Issuer.

## MANAGEMENT<sup>18,19</sup>

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<sup>18</sup> Each of the following members of the Board of Directors issued a declaration in the terms and for the purposes of Article 245 (1) (c) of the Securities Code, regarding the Annual Report in respect of the financial year ended on 31 December 2018: Fernando Ulrich, António Lobo Xavier, Pablo Forero, Alexandre Lucena e Vale, António Farinha Morais, António José Cabral, Cristina Rios Amorim, Fátima Barros, Francisco Barbeira, Gonzalo Gortázar, Ignacio Alvarez-Rendueles, Javier Pano, João Pedro Oliveira e Costa, José Pena do Amaral, Natividad Capella, Lluís Vendrell, Pedro Barreto, Tomás Jervell.

<sup>19</sup> Each of the following members of the Board of Directors issued a declaration in the terms and for the purposes of Article 245 (1) (c) of the Securities Code, regarding the Annual Report in respect of the financial year ended on 31 December 2019: Fernando Ulrich, António Lobo Xavier, Pablo Forero, Alexandre Lucena e Vale, António Farinha Morais, António José Cabral, Cristina Rios Amorim, Fátima Barros, Francisco Barbeira, Gonzalo Gortázar, Ignacio Alvarez-Rendueles, Javier Pano, João Pedro Oliveira e Costa, José Pena do Amaral, Natividad Capella, Lluís Vendrell, Pedro Barreto, Tomás Jervell.



The following is a list of the members of the Board of Directors, approved in the General Meeting held on 26 April 2017, for the 2017/2019 term of office. The business address of each of the below-mentioned members of the Board of Directors is Banco BPI, S.A., Largo Jean Monnet, 1, 1269-067 Lisbon, Portugal.

Board of Directors.

**Board of Directors:**

Chairman: Fernando Ulrich

Deputy-Chairman and chief executive officer (“CEO”): Pablo Forero<sup>20</sup>

Non-executive Deputy-Chairman: António Lobo Xavier

Members:

Executive member Alexandre Lucena e Vale

Executive member António Farinha Morais

Non-executive member António José Cabral

Non-executive member Cristina Rios Amorim

Executive member Francisco Manuel Barbeira

Non-executive member Gonzalo Gortázar Rotaeché

Executive member Ignacio Alvarez-Rendueles

Executive member João Oliveira e Costa

Executive member José Pena do Amaral

Non-executive member Javier Pano Riera

Non-executive member Lluís Vendrell Pi

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<sup>20</sup> The Issuer disclosed to the market on 4 May 2020 that the Issuer’s Chief Executive Officer, Mr. Pablo Forero, informed Banco BPI’s Board of Directors of his decision to retire at the end of his current mandate. In a meeting held on the 4 May 2020, Banco BPI’s Board of Directors accepted Mr. Forero’s decision and decided to nominate Mr. João Pedro Oliveira e Costa, a current member of the Board of Directors and of the Executive Committee, as successor to Mr. Pablo Forero as Chief Executive Officer, for the 2020-2022 term. The nomination of the new Chief Executive Officer will only become effective upon receipt of the necessary approval by the supervisory authority.

Non-executive member	Maria de Fátima Barros Bertoldi
Non-executive member	Natividad Pifarre
Executive member	Pedro Barreto
Non-executive member	Tomas Jervell

The members of the Board of Directors were elected on April, 26, 2017 and took up office on July 21, 2017.

Maria de Fátima Barros Bertoldi was co-opted to the Board of Directors in February 23, 2018 and took up office in the same date.

António José Cabral elected in the General Meeting in April 20, 2018 took up office in July 9, 2018.

Natividad Capella Pifarre co-opted to the Board of Directors in June 29, 2018 took up office in October 19, 2018.

#### **Position in other companies of BPI Group**

Name	Position	Companies
João Oliveira Costa	Non-executive Director	BPI Suisse (100 per cent.)
Lluís Vendrell	Non-executive Director	BPI Suisse (100 per cent.)
José Pena do Amaral	Non-executive Director	Companhia de Seguros Allianz Portugal, S.A. (35 per cent.)
Pedro Barreto	Non-executive Deputy-Chairman	BCI – Banco Comercial e de Investimentos, S.A. (35.67 per cent.)
Ignacio Alvarez-Rendueles	Non-Executive Diretor	Inter-Risco, Sociedade de Capital de Risco, S.A. (49 per cent.)
António Farinha Morais	Non-Executive Diretor	BCI – Banco Comercial e de Investimentos, S.A. (35.67 per cent.)

#### **Relevant activities outside BPI Group**

Name	Position	Companies
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Fernando Ulrich	Not applicable*	Not applicable*
Pablo Forero	Not applicable*	Not applicable*
António Lobo Xavier	Non-Executive Director	Fundação Francisco Manuel dos Santos
	Non-Executive Director	NOS, SGPS, S.A.
	Non-Executive Director	Mota Engil, S.A.
	Non-Executive Director	Fábrica Têxtil Riopele, S.A.
Alexandre Lucena e Vale	Not applicable*	Not applicable*
António Farinha Morais	Not applicable*	Not applicable*
António José Andrade Cabral	Not applicable*	Not applicable*
Cristina Rios Amorim	Vice-president and Chief Financial Officer	Amorim Investimentos e Participações, SGPS, S.A.
	Non-Executive Director and responsible by the supervision of the financial department	Corticeira Amorim, SGPS, S.A.
Francisco Manuel Barbeira	Non-Executive Director	SIBS, SGPS, S.A.
	Non-Executive Director	Unicre – Instituição de Crédito, S.A.
	Chairman of the Supervisory Board	INEGI – Instituto de Ciência e Inovação em Engenharia Mecânica e Engenharia Industrial
Gonzalo Gortázar	Chief Executive Officer	CaixaBank, S.A.
	Chairman	VidaCaixa
	Non-Executive Vice-President	Repsol
Ignacio Alvarez-Rendueles	Not applicable*	Not applicable*

Javier Pano	Chief Financial Officer	CaixaBank, S.A.
	Non-Executive Director	Cecabank, S.A.
João Oliveira Costa	Not applicable*	Not applicable*
José Pena do Amaral	Chairman	Fundação Casa da Música
Lluís Vendrell	Corporate Manager M&A	CaixaBank, S.A.
Maria de Fátima Bertoldi	Non-Executive Director	Fundação Francisco Manuel dos Santos
	Member of the Corporate Governance and Social Responsibility Committee	Jerónimo Martins, SGPS, SA
	Non-Executive Director	Brisa Concessão Rodoviária, S.A.
	Member of the Supervisory Board	Warta, Retail & Services Investments, BV
Natividad Pifarre	Head of Global Risk	CaixaBank, S.A.
	Non-Executive Director	GDS, CUSA
	Non-Executive Director	CaixaBank Payments
Pedro Barreto	Not applicable*	Not applicable*
Tomás Jervell	Chief Executive Officer	NORS/Auto Sueco
	Non-Executive Director	Ascendum, S.A.

Note: “Not applicable\*” means no activities outside the BPI Group.

## CONFLICTS OF INTEREST

The Issuer is not aware of any potential conflicts of interests between any duties to the Issuer by any of the members of either the Board of Directors or the Executive Committee of the Board of Directors in respect of their private interests and/or other duties.

## **SUPERVISORY BOARD**

The Supervisory Board performs the functions attributed to it by law, the Articles of Association and the Issuer's internal regulations.

The following is a list of the members of the Supervisory Board<sup>21</sup>, approved in the General Meeting held on 20 April 2018, until the end of the current term of office (2017-2019):

Chairman:	Manuel Ramos de Sousa Sebastião
Members:	Rui Manuel Campos Guimarães Elsa Maria Roncon Santos
Alternate members:	Luís Manuel Roque de Pinho Patrício Manuel Joaquim das Neves Correia de Pinho

### **Relevant activities of the members of the Supervisory Body outside BPI Group**

<b>Name</b>	<b>Position</b>	<b>Companies</b>
Manuel Ramos Sebastião	Non-Executive Director President of the Audit Committee	REN SGPS SA
Elsa Maria Roncon	Not applicable*	Not applicable*
Rui Guimarães	Not applicable*	Not applicable*

The Supervisory Board's composition is deliberated upon by the General Shareholders' Meeting of the Issuer. The Supervisory Board exercises its function for terms of three years.

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<sup>21</sup> The Issuer disclosed to the market on 29 May 2020 that Mr. Ricardo Filipe de Frias Pinheiro informed on 19 May 2020 about his resignation, with immediate effect, to the position of member of the Issuer's Supervisory Board.

Besides any other competence set out in law or in the Bank's articles of association, the Supervisory Board is responsible for:

- Overseeing the process involving the preparation and disclosure of any financial information;
- Reviewing the effectiveness of internal-control, internal-audit and risk-management systems;
- Receiving reports of irregularities submitted by shareholders, company employees or others;
- Monitoring the statutory audit; and
- Reviewing and overseeing the independence of the statutory auditor, namely whenever the statutory auditor provides other services to the Company.

The Supervisory Board meets at least every two months.

The Issuer is not aware of any potential conflicts of interest between any duties *vis-à-vis* the Issuer of the members of the Supervisory Board and their private interests or other duties.

## **STATUTORY AUDITOR**

Taking in consideration that the term of office of the Statutory Auditor (“*Revisor Oficial de Contas*”) is of four years, the General Meeting of Shareholders elected on April 26, 2017:

- Deloitte & Associados, SROC, S.A. as the Statutory Auditor for the fiscal year of 2017; and
- PricewaterhouseCoopers, SROC, S.A. as the Statutory Auditor for the remaining years of the 2018-2020 mandate.

PricewaterhouseCoopers, SROC, S.A., member of the Portuguese Association of the Chartered Accountants (“*Ordem dos Revisores Oficiais de Contas*”), with registered office at Palácio Sottomayor, Rua Sousa Martins, 1-3<sup>rd</sup>, 1069-316 Lisbon, as designated José Manuel Henriques Bernardo to represent it, who is also a member of the Portuguese Association of the Chartered Accountants. The alternate member is Ana Carla Ávila de Oliveira Lopes Bertão. José Manuel Henriques Bernardo has been responsible for the legal certification of accounts and audit report for the years ended 31 December 2019 and 2018.

## **THE ORIGINATOR'S STANDARD BUSINESS PRACTICES, CREDIT ASSESSMENT AND SERVICING OF THE COVER POOL**

### **OVERVIEW**

Public Sector credit is originated at BPI by the institutional clients units based in Oporto, Lisbon, Azores and Madeira (Autonomous Regions), the latter responsible for corporate loans on such geographies. Credit to the Autonomous Regions of Azores and Madeira is originated by the referred regional institutional clients units. The institutional clients units are specialized departments integrated in the North, and south and Islands Corporate and Institutional Departments, respectively. They are mainly dedicated to the public sector entities, i.e., entities owned or controlled, directly or indirectly, by the Portuguese State, and comprising the major Nonprofit social economy institutions.

The procedures regarding credit origination, monitoring and recovery defined for corporate credit are also applicable to credit to public sector entities. Corporate and Institutional Departments are under the supervision of the member of BPI's Executive Board responsible for the global corporate business.

As at 31 March 2020, BPI's Public Sector loan portfolio amounted to €1,813 million, including central administration, regional and local administrations, state corporate sector and other institutional entities.

### **ORIGINATION, RISK ASSESSMENT AND DECISION-MAKING**

The four institutional units which account for 24 professionals, including 4 managers, are focused on municipalities, municipal companies and the social economy sector (including essentially not-for-profit entities). State-owned companies are covered by the large corporates units, according to their geographical locations.

Credit proposals are originated through BPI's direct contact with municipalities and state-owned companies. By law, to meet their funding requirements, municipalities are required to adopt a competitive tender process with consultation to, at least, three banks. An identical procedure is adopted by state-owned companies. All public sector entities are subject to strict indebtedness controls and procedures which are defined in the relevant legislation.

As for BPI's Corporate Banking, the "four eyes" principle is also adopted for public sector operations and risk assessment is carried out independently by a specialized unit of the Credit Risk Department dedicated to the public sector. Credit policy, guidelines and procedures adopted for the public sector and for the whole corporate sector of BPI are defined in the same key document. A fully documented credit review is made for each lending proposal.

The rules of procedure and the limits for decision making applied by BPI for public sector operations are also defined in accordance with the guidelines established for corporate operations. They set out five decision making levels based on the level of exposure.

BPI has defined internal objectives and limits for global exposure to the Portuguese public sector in the context of its risk appetite framework. Those are reviewed on a regular basis.

## **OPERATIONS AND SERVICING**

The Operations Department manages all credit transactions. It executes all tasks related to credit transactions, commercial leasing, factoring, guarantees, financial capacity certificates and issuance of letters of credit.

Servicing procedures include:

- Execution and control of all the loan transactions, foreign exchange credit operations and advances on export receivables, including registration and management of associated guarantees and subsidies from external entities.
- Contract issuance based on drafts prepared by the Legal Department for all the operations as well as any further amendments and renewal of conditions.
- Maintain permanent contact with relevant internal departments and with external entities such as Banco de Portugal, Credit Insurance Companies, and other entities.

Through the lifetime of each credit operation, BPI's systems issue payment notices which are mailed to borrowers 20 days prior to the respective payment day. Payments are made by automatic debit of the borrower's cash deposit account.

If a borrower has more than one unpaid instalment from the same or different credit transaction, the rule is to collect first the older one.

When there is a prepayment, BPI debits the cash deposit account of the customer together with a prepayment fee to compensate BPI for the internal costs, and breakage costs in the case of fixed rate loans.

## **MONITORING**

The Credit Risk Department (CRD) is responsible for monitoring the credit portfolio of Corporate Banking for the purpose of timely detection of any default situations and allowing for the adoption of adequate measures to prevent default such as the enforcement of guarantees and debt restructuring.

The intervention of the CRD in their monitoring functions is mainly focused on non-technical default cases that cannot be settled by the commercial departments in the short term (up to 30 days). However, when deemed suitable, this intervention may occur sooner and even in situations when there is still no default.

If, in spite of the monitoring process, the overdue credit situation is not settled by the 60<sup>th</sup> day, CRD will draw up an action proposal to be submitted to the Credit Board. Based on the action proposal, the Credit Board may decide to maintain the customer management and monitoring with the Commercial Department or transfer it to CRD – Recovery.

Monitoring Tools:

Monitoring action is based on several tools such as: rating system (in what concerns Public Sector Credit, for Municipalities only – a simple expert system that will be revised soon) an alert system, internal and external databases, intervention at the Commercial Department level and finally, intervention at customer level.



In addition, Commercial Department and CRD conduct regular reviews of all exposures, at least on an annual basis, and maintain a watch list, reported on a quarterly basis, of the weaker counterparts assessed on a stand-alone basis.

## **RECOVERIES**

Loans in arrears are handled by the Recovery Division and the Litigation Department dedicated to corporate loans which are also responsible for the monitoring and surveillance of Public Sector credit.

The recovery division of the Credit Risk Department - Recovery (“**CRD – Recovery**”) is the main division responsible for credit recovery by non-judicial means. The intervention of CRD – Recovery is directed towards recovery of arrears outstanding for greater than 60 days.

CRD - Recovery is responsible for the full relationship with customers that are put under its supervision and therefore benefits from the same supporting instruments for the relationship with customer companies as the commercial departments. In addition it is backed by the Litigation Department.

CRD – Recovery intervention is based on a negotiating process that may require the restructuring of the credit in arrears, preferably via enforcement of guarantees. Although these are normally delicate negotiations, CRD – Recovery has concern for swiftness of recovery, which should be achieved in less than 150 days from when the arrears were originally registered.

Notwithstanding available instruments, when the settlement of a default situation is impossible and all forms of recovery by non-judicial means are exhausted, the case is sent to the Litigation Department where the recovery of the overdue credit is made via judicial means.

The Litigation Department is part of the Legal Department and is responsible for the judicial recovery of debt. It represents BPI and its subsidiaries in all actions brought in court by them or against them.

The Litigation Department is also responsible for analysing proposals for extra-judicial agreements made by debtors and deciding whether to accept such proposals or to submit an opinion to the Credit Risk Department for a final decision on actions to be taken and/or prepare write-off proposals.

## **USE OF PROCEEDS**

The net proceeds resulting from each issue of Public Sector Bonds will be applied by the Issuer for its general corporate purposes. If, in respect of any particular issue there is a particular identified use of proceeds, this will be stated in the relevant Final Terms.

## THE PUBLIC SECTOR BONDS LAW

### FRAMEWORK

The Public Sector Bonds Law introduced a framework for the issuance of public sector debt securities into Portuguese law.

The Public Sector Bonds Law has been supplemented by the Bank of Portugal Regulations. 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 PUBLIC SECTOR BONDS

Public sector bonds (“*obrigações sobre o sector público*”) may be issued by credit institutions (the “**Institutions**”) legally authorised to grant credit to central administrations, regional or local authorities of any EU Member State or credits guaranteed by such entities and having own funds amounting to no less than €7,500,000. Institutions can either be universal credit institutions (“**Credit Institutions**”) or special credit institutions incorporated under the Public Sector Bonds Law specialising in the issuance of public sector/mortgage covered bonds (the “**Mortgage Credit Institutions**”).

If the issuer of public sector bonds is a Credit Institution, there are no restrictions to its banking activities and it may issue public sector bonds directly maintaining the underlying cover pool on its balance sheet.

If the issuer of public sector bonds is a Mortgage Credit Institution, its authorised banking activity is restricted to granting and acquiring credits to, or guaranteed by, the central administrations, regional or local authorities of any EU Member State. Mortgage Credit Institutions may thus issue public sector bonds backed by credits originated by itself or otherwise acquired from third party originators.

If public sector 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 public sector 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 public sector 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 assets that it may acquire as a result of the enforcement of delinquent public sector credits. Institutions may also undertake certain activities necessary to obtain additional liquidity.

In the event of insolvency, winding-up and dissolution of an Institution, the cover pool over which the holders of public sector bonds have a special creditor privilege will be segregated from the insolvent estate of such Institution and will form a separate estate, i.e. an autonomous pool of assets managed in favour and to the benefit of the holders of public sector bonds and other preferred creditors as specified in the Public Sector Bonds Law. In this respect, the Public Sector 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 public sector bonds of the insolvent Institution, the holders of public sector 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 public sector bonds made by an Institution in accordance with the Public Sector Bonds Law:

- Public Sector Credits over central administrations, regional or local authorities of any EU Member State;
- Public Sector Credits benefiting from an express and legally binding guarantee issued by central administrations, regional or local authorities of any EU Member State;

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

- 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 ECB and the national banks of the EU Member States whose currency is the euro);
- 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
- Other assets meeting both the low risk and high liquidity requirements of the Bank of Portugal.

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 Public Sector Bonds issued by the Issuer.

The geographical scope of eligible assets is restricted to public sector credits to, or guaranteed by central administrations, 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 Public Sector Bonds Law to maintain a register of all the assets comprised in the cover pool, including hedging contracts.

### **ASSET-LIABILITY MANAGEMENT AND FINANCIAL REQUIREMENTS**

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

- The global nominal value of the outstanding public sector bonds, irrespective of the fact those Public Sector Bonds are Zero Coupon Bonds or not, cannot exceed 100 per cent. of the global value of the public sector credits and other assets at any time comprised in the relevant cover pool;
- The average maturity of outstanding public sector bonds cannot exceed the average maturity of the public sector credits and substitution assets allocated to the relevant issue of public sector bonds;
- The total amount of interest to be paid by an Institution under any public sector bonds shall not exceed, at any point in time, the amount of interest to be collected from the public sector credits and other assets comprised in the cover pool backing the relevant issue of public sector bonds – this means, therefore, that under the Public Sector Bonds Law cash flows from the cover pool must at all times be sufficient to meet all scheduled payments due to the holders of public sector bonds;
- The net present value of the liabilities arising from issues of public sector bonds pursuant to the Public Sector Bonds Law cannot exceed the net present value of the cover pool assigned to such public sector 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 collateralisation, as well as of the remaining financial and prudential requirements, Institutions are required to use the following criteria:

- (i) the credits to, or guaranteed by central administrations, regional or local authorities of any EU Member State shall be accounted for the nominal value of their outstanding principal, including any accrued but unpaid interest;
- (ii) the public sector bonds shall be accounted according to the nominal value of outstanding principal, irrespective of the fact those Public Sector Bonds are Zero Coupon Bonds or not 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 public sector bonds are denominated in any currency other than euro, the Institution must use the exchange rates published by the ECB as a reference.

The Public Sector Bonds Law also contains rules regarding the management of the cover pool allocated to one or more issues of public sector bonds, allowing the Institution, *inter alia*, to assign new credits to, or guaranteed by central administrations, regional or local authorities of any EU Member State 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 public sector 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 public sector 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 Public Sector Bonds Law are exceeded, the issuer is required to remedy the situation immediately by (i) allocating new public sector credits to, or guaranteed by central administrations, regional or local authorities of any EU Member State, by (ii) purchasing outstanding public sector bonds in the secondary market and/or by (iii) allocating other eligible assets.

Public sector 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 public sector credits must be removed from the cover pool by the Institution and, if necessary to comply with the prudential requirements established in the Public Sector Bonds Law, substituted by new public sector credits to, or guaranteed by central administrations, regional or local authorities of any EU Member State.

Public sector credits underlying public sector bonds may only be sold or pledged if the Institution allocates new public sector credits to, or guaranteed by central administrations, regional or local authorities of any EU Member State to the public sector bonds sufficient to maintain compliance with the financial and prudential requirements set forth in the Public Sector Bonds Law.

Instruction 13/2006 contains rules to be followed in respect of notices to the Bank of Portugal regarding the issue of public sector bonds under the Public Sector Bonds Law. Prior to a first issuance of public sector 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 public sector bonds. On a monthly basis, the Institution is required to provide the Bank of Portugal with information on the number and amount of public sector bonds outstanding and on any new issues of public sector bonds and redemptions occurred.

#### **COVER POOL MONITOR, COMMON REPRESENTATIVE AND BANKING SUPERVISION**

The Board of Directors of the Institution is required to appoint an independent auditor registered with the CMVM for the purposes of monitoring the compliance by such Institution of the financial and prudential requirements established in the Public Sector Bonds Law.

Pursuant to the Public Sector 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 public sector bonds – common to all public sector or mortgage covered bond issues – must be appointed by the Board of Directors of the Institution in order to represent the interests of the holders of public sector 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 public sector 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 Public Sector Bonds decide to accelerate the relevant public sector bonds, the common representative of such holders shall request the Bank of Portugal to disclose the information associated to such code key pursuant to article 4.5 of the Public Sector Bonds Law.

The assets included in the register maintained by the Institution will form a segregate estate over which the holders of the public sector 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 public sector 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 public sector bonds. In any case, and even if the Institution is declared insolvent, the Public Sector Bonds Law determines that timely payments of interest and reimbursements under the public sector 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 public sector bonds outstanding, and (ii) ensure that the payments of any amounts due to the holders of such public sector 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 public sector bonds outstanding and to ensure that payments due to the holders of such public sector bonds are made.

In accordance with Notice 8/2006, any Substitute Credit Institution appointed by the Bank of Portugal to service the cover pool following insolvency of the Institution shall: (i) immediately upon being appointed, prepare an opening balance sheet in relation to the cover pool, supplemented by the corresponding explanatory notes; (ii) perform all acts and things necessary or convenient for the prudent management of the cover pool, including, without limitation, selling the public sector credits comprised in the cover pool; ensuring the timely collection in respect of the assets comprised in the cover pool; and performing all other acts and administrative services in connection with such assets and related additional security; (iii) maintain and keep updated a segregated register of the cover pool in accordance with the Public Sector Bonds Law; and (iv) prepare an annual financial report in relation to the cover pool and the outstanding public sector 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 public sector credits comprised in the relevant cover pool.

*Preferential status for public sector bonds holders*

Pursuant to the Public Sector Bonds Law, holders of public sector 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 public sector bonds.

The public sector credits rights that serve as collateral for the entitlements of the holders of public sector bonds prevail over any preferential claims. If the assets comprised in the cover pool are not enough to pay interest and principal under the public sector bonds, the holders of public sector 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 public sector bonds and, consequently, their contracts are not expected to be called in case of insolvency of the Institution.

Pursuant to the Public Sector Bonds Law, in the case of dissolution and winding-up of an Institution, a meeting of holders of all Series of public sector bonds then outstanding may decide, by a 2/3 majority vote, to accelerate the public sector 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 Public Sector Bonds Law and in the relevant terms and conditions that govern such issue.

**RISK-WEIGHTING & COMPLIANCE WITH EUROPEAN LEGISLATION**

Public Sector bonds issued in accordance with the Public Sector Bonds Law are in compliance with the requirements of paragraph 4 of Article 52 of the UCITS Directive, as well as with subparagraphs (a) to (f) of paragraph 1 of Article 129 of the CRR. The risk-weighting applicable to public sector bonds is also governed by Article 129 of the CRR.



## TAXATION

### Portugal

The following is a general description of certain Portuguese tax consequences of the acquisition and ownership of Public Sector Bonds. It does not purport to be an exhaustive description of all tax considerations that may be relevant to decide about the purchase of Public Sector Bonds. Notably, the following general discussion does not consider any specific facts or circumstances that may apply to a particular purchaser.

This summary is based on the laws of Portugal currently in full force and effect and as applied on the date of this Base Prospectus, thus being subject to variation, possibly with retroactive or retrospective effect.

Prospective purchasers of Public Sector Bonds are advised to consult their own tax advisers as to the tax consequences resulting from the purchase, ownership and disposition of Public Sector Bonds, including the effect of any state or local taxes, under the tax laws of Portugal and each country where they are, or deemed to be, residents.

The economic advantages deriving from interests, amortisation or reimbursement premiums and other types of remuneration arising from Public Sector Bonds issued by private entities are qualified as investment income for Portuguese tax purposes.

### Public Sector Bonds held through a centralised control system

Interest and other types of investment income obtained on Public Sector Bonds by a Portuguese resident individual is subject to individual tax. If the payment of interest or other investment income is made available to Portuguese resident individuals, withholding tax applies at a rate of 28 per cent., which is the final tax on that income unless the individual elects to include such income in his taxable income, subject to tax at progressive income tax rates of up to 48 per cent. In the latter circumstance an additional income tax will be due on the part of the taxable income exceeding € as follows: (i) 2.5 per cent. on the part of the taxable income exceeding €80,000 up to €250,000, and (ii) 5 per cent. on the remaining part (if any) of the taxable income exceeding €250,000. Investment income paid or made available on accounts held by one or more parties on account of unidentified third parties is subject to a withholding tax rate of 35 per cent., except where the beneficial owner of the income is identified, in which case the general rules will apply.

Interest and other investment income paid or made available (*“colocado à disposição”*) to accounts in the name of one or more accountholders acting on behalf of undisclosed entities is subject to a final withholding tax at 35 per cent., unless the beneficial owner of the income is disclosed, in which case the general rules will apply.

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

Capital gains taxation of 28 per cent., applicable to Portuguese resident individuals, will apply on the positive difference between the capital gains and capital losses arising from the transfer of the Public Sector Bonds. Accrued interest qualifies as investment income, rather than as capital gains for tax purposes.

Interest and other investment income derived from Public Sector Bonds and capital gains realised with the transfer of Public Sector Bonds by legal persons resident for tax purposes in Portugal and by non-resident legal persons with a permanent establishment in Portugal to which the income or gains are attributable are included in their taxable income and is, as a general rule, subject to a 21 per cent. corporate tax rate applicable on taxable profits, which may be subject to a municipal surcharge (“*derrama municipal*”) of up to 1.5 per cent. on their taxable profits. A State Surcharge (“*derrama estadual*”) rate will be of 3 per cent. due on the part of the taxable profits exceeding €1,500,000 up to €7,500,000 and of 5 per cent. on the part of the taxable profits exceeding €7,500,000 up to €35,000,000, and taxable income above €35,000,000 will be subject to a 9 per cent. rate.

Withholding tax on interest and other investment income at a rate of 25 per cent. applies, which is deemed a payment on account of the final tax due.

Portuguese financial institutions, pension funds, mutual funds, retirement and/or education savings funds, share savings funds, venture capital funds incorporated under the laws in Portugal and some exempt entities are not subject to withholding tax.

Interest and other investment income paid or made available (“*colocado à disposição*”) to accounts in the name of one or more accountholders acting on behalf of undisclosed entities is subject to a final withholding tax at 35 per cent., unless the beneficial owner of the income is disclosed, in which case the general rules will apply.

Without prejudice to the special debt securities tax regime as described below, the general tax regime on debt securities applicable to non-resident entities is the following.

Interest and other types of investment income obtained by non-resident individuals is subject to withholding tax at a rate of 28 per cent. Interest and other types of investment income obtained by a legal person non-resident in Portugal without a Portuguese permanent establishment to which the income is attributable is subject to withholding tax at a rate of 25 per cent., which is the final tax on that income.

Under the tax treaties entered into by Portugal which are in full force and effect on the date of this Base Prospectus, the withholding tax rate may be reduced to 15, 12, 10 or 5 per cent., depending on the applicable treaty and provided that the relevant formalities (including certification of residence by the tax authorities of the beneficial owners of the interest and other investment income) are met. The reduction may apply at source or through the refund of the excess tax. The forms currently applicable for these purposes were approved by Order (“*Despacho*”) 30.359/2007, of the Portuguese Minister of State and Finance, published in the 2<sup>nd</sup> Series of Portuguese official gazette no. 251, of 31<sup>st</sup> December, which may be available at [www.portaldasfinancas.gov.pt](http://www.portaldasfinancas.gov.pt).

Interest and other investment income paid or made available (“*colocado à disposição*”) to accounts in the name of one or more accountholders acting on behalf of undisclosed entities is subject to a final withholding tax at 35 per cent., unless the beneficial owner of the income is disclosed, in which case the general rules will apply.

A withholding tax rate of 35 per cent. applies in case of investment income payments to individuals or companies domiciled in a country, territory or region subject to a clearly more favourable tax regime included in the “low tax jurisdictions” list approved by Ministerial order (*Portaria*) no. 150/2004, of 13

February, as amended from time to time (“*Lista dos países, territórios e regiões com regimes de tributação privilegiada, claramente mais favoráveis*”).

Capital gains obtained on the transfer of Public Sector Bonds by non-resident individuals without a permanent establishment in Portugal to which gains are attributable are exempt from Portuguese capital gains taxation unless the individual is resident in a country, territory or region subject to a clearly more favourable tax regime included in the “low tax jurisdictions” list approved by Ministerial order (*Portaria*) no. 150/2004, of 13 February 2011, as amended from time to time (*Lista dos países, territórios e regiões com regimes de tributação privilegiada, claramente mais favoráveis*). Capital gains obtained by individuals that are not entitled to said exemption will be subject to taxation at a 28 per cent. flat rate and should be declared in the Portuguese annual tax return to be presented by the seller. Accrued interest does not qualify as capital gains for tax purposes.

Regarding capital gains obtained on the disposal of Public Sector 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 non-resident entity is more than 25 per cent. directly or indirectly held by Portuguese resident entities or if the beneficial owner is resident in a country, territory or region subject to a clearly more favourable tax regime included in the “low tax jurisdictions” list approved by Ministerial order (*Portaria*) no. 150/2004, of 13 February, as amended from time to time (*Lista dos países, territórios e regiões com regimes de tributação privilegiada, claramente mais favoráveis*). If the exemption does not apply, the gains will be subject to corporate income tax at a rate of 25 per cent. Under the tax treaties entered into by Portugal, such gains are usually not subject to Portuguese corporate income tax, but the applicable rules should be confirmed on a case by case basis.

Stamp tax at a rate of 10 per cent. applies to the acquisition through gift or inheritance of Public Sector Bonds by an individual who is domiciled in Portugal. An exemption applies to transfers in favour of the spouse, de facto spouse, descendants and parents/grandparents. The acquisition of Public Sector Bonds through gift or inheritance by a Portuguese resident legal person or a non-resident acting through a Portuguese permanent establishment, as a general rule, is subject to a 21 per cent. corporate tax rate applicable on the taxable profits, which may be subject to a municipal surcharge (“*derrama municipal*”) of up to 1.5 per cent. over their taxable profits. A State Surcharge (“*derrama estadual*”) rate will be of 3 per cent. due on the part of the taxable profits exceeding €1,500,000 up to €7,500,000 and of 5 per cent. on the part of the taxable profits exceeding €7,500,000 up to €35,000,000, and taxable income above €35,000,000 will be subject to a 9 per cent. rate. No stamp tax applies to the acquisition through gift and inheritance of Public Sector Bonds by an individual who is not domiciled in Portugal. The acquisition of Public Sector Bonds through gift or inheritance by a non-resident legal person is subject to corporate income tax at a rate of 25 per cent. Under the tax treaties entered into by Portugal, such gains are usually not subject to Portuguese tax, but the applicable rules should be confirmed on a case by case basis.

There is no wealth or estate tax in Portugal on the Public Sector Bonds.

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

Nevertheless, pursuant to the Special Tax Regime for Debt Securities, approved by Decree-law 193/2005, investment income and capital gains on the disposal of debt securities issued by Portuguese resident entities, such as the Public Sector Bonds obtained by non-resident beneficial owners, are exempt from Portuguese income tax provided that (i) the debt securities are integrated in a centralised system managed by an entity resident in Portugal or by an international clearing system managing entity of a member state of the European Union or of the European Economic Area (in this case, the member state of the European Economic Area should be subject to administrative cooperation in tax issues similar to the administrative cooperation agreement in force between EU countries), and (ii) the beneficial owners are:

- (i) central banks or governmental agencies; or
- (ii) international organisations recognised by the Portuguese State; or
- (iii) entities with residency in countries with whom Portugal has a double tax treaty or a tax information exchange agreement in force; or
- (iv) other entities without headquarters, effective management or a permanent establishment in the Portuguese territory to which the relevant income is attributable and which are not domiciled in a country, territory or region subject to a clearly more favourable tax regime included in the “low tax jurisdictions” list approved by Ministerial order (*Portaria*) no. 150/2004, of 13 February, as amended from time to time (“*Lista dos países, territórios e regiões com regimes de tributação privilegiada, claramente mais favoráveis*”).

The special regime approved by Decree-Law 193/2005 sets out the detailed rules and procedures to be followed on the evidence of non-residence by the beneficial owners of the bonds to which it applies. Under these rules, the direct register entity (i.e. the entity affiliated to the centralised system where the securities are integrated), as the entity holding the relevant account with the relevant centralised system in which the Public Sector Bonds are integrated, will be under the obligation to obtain and keep proof, in the form described below, that the beneficial owner is a non-resident entity that is entitled to the exemption. As a general rule, the evidence of non-residence status should be provided to, and received by, the direct registration entities prior to the relevant date for payment of any interest, or the redemption date (for zero coupon Public Sector Bonds), and prior to the transfer of Public Sector Bonds date, as the case may be. The relevant direct registering entity shall withhold the relevant tax if the requirements for a withholding tax exemption are not met.

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 Public Sector Bonds**

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

- (i) If the beneficial owner of Public Sector Bonds is a central bank, an international organisation or a public law institution integrated in the Public Administration (either central, regional, peripheral, indirect or autonomous), a declaration of tax residence issued by the beneficial owner of Public Sector Bonds itself, duly signed and authenticated or proof pursuant to (iv) below;

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

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

When the Public Sector Bonds are held by central banks, governmental agencies, investment funds or other type of collective investment undertaking domiciled in any OECD country, the respective proof of non-residence in Portuguese territory is provided just once, its periodical renewal not being necessary.

#### **(b) Internationally Cleared Public Sector Bonds**

If the Public Sector Bonds are held through a centralised system recognised under the Portuguese Securities Code and complementary legislation, and registered in an account with an international clearing system under the terms foreseen in Decree-Law 193/2005 (such as Euroclear or Clearstream, Luxembourg), the identification and amount of securities, as well as the amount of income, and, if applicable, the amount of withheld tax, shall be communicated (as mentioned below) and the beneficiaries shall be identified under one of the following categories:

- (i) Entities with residence, headquarters, effective management or permanent establishment to which the income would be attributable, and which are exempt from taxation or not subject to tax withholding;
- (ii) Entities with residence in a country, territory or region subject to a clearly more favourable tax regime included in the “low tax jurisdictions” list approved by Ministerial order (“*Portaria*”) no. 150/2004, of 13 February, as amended from time to time (“*Lista dos países, territórios e regiões com regimes de tributação privilegiada, claramente mais favoráveis*”);
- (iii) Entities with residence, headquarters, effective management or permanent establishment to which the income would be attributable, and which are exempt from taxation or not subject to tax withholdings;
- (iv) Other entities which do not have residence, headquarters, effective management or permanent establishment to which the income would be attributable.

On each interest payment date, the following information with respect of each one of the beneficiaries mentioned in (i), (ii) and (iii) should be communicated:

- (i) Name and address;
- (ii) Tax identification number (if available);
- (iii) Identification and amount of securities held;
- (iv) Amount of income.

In addition, the international clearing system managing entity shall send the above information to the direct register entity, or its representatives, and should send the information regarding all accounts under its management.

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 complied with. Accordingly, the general Portuguese tax provisions shall apply as described above.

If the conditions for the exemption to apply are met, but, due to inaccurate or insufficient information, tax was withheld, a special refund procedure is available under the special regime approved by Decree-Law 193/2005. The refund claim is to be submitted to the direct or indirect register entity of the Public Sector Bonds within 6 months from the date the withholding took place. A special tax form for these purposes was approved by Order (“*Despacho*”) 2937/2014, of the Portuguese Secretary of State for Tax Affairs, published in 2nd Series of Portuguese official gazette no. 37, of 21 February, which may be available at [www.portaldasfinancas.gov.pt](http://www.portaldasfinancas.gov.pt).

The refund of withholding tax in other circumstances or after the above 6 months period is to be claimed to the Portuguese tax authorities under the general procedures and within a 2 years period after the end of the year where the income was obtained.

### **Automatic exchange of tax information**

The automatic exchange of information regime to be implemented under Council Directive 2011/16/EU, of 15 February (the “**Council Directive 2011/16/EU**”) on Administrative Cooperation in the field of Taxation (as amended by Council Directive 2014/107/EU, of 9 December (the “**Council Directive 2014/107/EU**”)) is in accordance with the Global Standard released by the Organisation for Economic Co-operation and Development in July 2014.

Council Directive 2014/107/EU was transposed to Portuguese national law, on October 2016, by Decree-Law no. 64/2016, of 11 October (“**Portuguese CRS Law**”), which amended Decree-Law no. 61/2013, of 10 May, which transposed Council Directive 2011/16/EU. The Portuguese CRS Law and Decree-Law no. 61/2013, have been amended by Law no. 98/2017, of 24 August.

Under such law, the Issuer is required to collect information regarding certain accountholders and report such information to Portuguese Tax Authorities which, in turn, will report such information to the relevant Tax Authorities of EU Member States or States which have signed the Multilateral Competent Authority Agreement on Automatic Exchange of Financial Account Information for the Common Reporting Standard.

Portugal has also implemented, through Law no. 82-B/2014, of 31 December, the legal framework based on reciprocal exchange of information on financial accounts subject to disclosure in order to comply with FATCA. In addition, Portugal has signed the Intergovernmental Agreement (IGA) with the US on 6 August 2015. The IGA has entered into force in 10 August 2016, and through the Decree-Law no. 64/2016, of 11 October, amended by Law no. 98/2017, of 24 August, Portuguese government approved the complementary regulation required to comply with FATCA. Under the referred legislation the Issuer is required to obtain information regarding certain accountholders and report such information to the Portuguese Tax Authorities, which, in turn, will report such information to the IRS. In view of the abovementioned regime, all information regarding the registration of the financial institution, the procedures to comply with the reporting obligations and the forms to use for that end were provided by the Ministry of Finance through Ministerial Order (*Portaria*) no. 302-A/2016, of 2 December, amended by Ministerial Order (*Portaria*) no. 169/2017, of 25 May.

## SUBSCRIPTION AND SALE AND SECONDARY MARKET ARRANGEMENTS

The Dealer has, in the Programme Agreement agreed with the Issuer a basis upon which it may from time to time agree to purchase Public Sector Bonds.

Any such agreement will extend to those matters stated under “*Form of the Public Sector Bonds and Clearing Systems*” and “*Terms and Conditions of the Public Sector Bonds*”. In the Programme Agreement, the Issuer has agreed to reimburse the Dealer for certain of its expenses in connection with the establishment and any future update of the Programme and the issue of Public Sector Bonds under the Programme and to indemnify the Dealer against certain liabilities incurred by it in connection therewith.

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

### United States

The Public Sector Bonds have not been and will not be registered under the US Securities Act or the securities laws of any state or other jurisdiction of the United States, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from or in a transaction not subject to the registration requirements of the US Securities Act. The Public Sector Bonds are initially being offered and sold only outside the United States in reliance on Regulation S under the US Securities Act. Terms used in this paragraph and the following paragraph have the meanings given to them by Regulation S under the US Securities Act.

The Dealer has represented and agreed that it will not offer or sell any Public Sector Bonds (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Dealer or, in the case of an issue of Public Sector Bonds on a syndicated basis, the relevant lead manager, of all Public Sector Bonds of the Tranche of which such Public Sector Bonds are a part, except in accordance with Rule 903 of Regulation S under the US Securities Act. Accordingly, the Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to any Public Sector Bonds, and that it and they have complied and will comply with the offering restrictions requirement of Regulation S. The Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree, that, at or prior to confirmation of sale of Public Sector Bonds, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Public Sector Bonds from it during the distribution compliance period a confirmation or notice to substantially the following effect:

“The Securities covered hereby have not been registered under the U.S. US Securities Act of 1933, as amended (the “**US Securities Act**”), and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Securities as determined and certified by the relevant Dealer, in the case of a non-syndicated issue, or the Lead Manager, in the case of a syndicated issue, and except in either case in accordance with Regulation S under the US Securities



Act. Terms used above have the meanings given to them by Regulation S.”

In addition, until 40 days after the commencement of the offering of any Series of Public Sector Bonds, an offer or sale of such Public Sector Bonds within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the US Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the US Securities Act.

## **Japan**

The Public Sector Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act no. 25 of 1948, as amended from time to time; the “**FIEA**”) and, accordingly, the Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold and will not offer or sell any Public Sector Bonds, directly or indirectly, in Japan to, or for the benefit of, a resident in Japan, as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act no. 228 of 1949, as amended from time to time), or to others for re-offering or re-sale, directly or indirectly, in Japan to, or for the benefit of, a resident in Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

## **United Kingdom**

The Dealer represents and agrees, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the “**FSMA**”) received by it in connection with the issue or sale of any Public Sector 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 Public Sector Bonds in, from or otherwise involving the United Kingdom.

## **Italy**

The offering of Public Sector Bonds has not been registered with the *Commissione nazionale per le Società e la Borsa* (“**CONSOB**”) pursuant to Italian securities legislation and, accordingly, the Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree, that, save as set out below, it has not made and will not make an offer of any Public Sector Bonds to the public in the Republic of Italy, and that sales of the Public Sector Bonds in the Republic of Italy shall be effected in accordance with all Italian securities, tax and exchange control and other applicable laws and regulations; in particular, no Public Sector Bonds may be offered, sold or delivered, nor copies of the Base

Prospectus or of any other document relating to any Public Sector Bonds may be distributed in the Republic of Italy, except:

- (i) to qualified investors (*investitori qualificati*), as defined pursuant to Article 100 of Legislative Decree no. 58, of 24 February 1998, as amended from time to time (the “**Financial Services Act**”) and Article 34-ter, paragraph 1 (letter b) of CONSOB Regulation no. 11971 of 14 May 1999, as amended from time to time (“**Regulation no. 11971**”); or
- (ii) in any other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Article 34-ter of Regulation no. 11971.

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

- (a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Law, CONSOB Regulation no. 16190 of 29 October 2007, as amended from time to time, and Legislative Decree no. 385, of 1 September 1993, as amended from time to time (the “**Banking Act**”);
- (b) in compliance with Article 129 of the Banking Act, as amended from time to time, 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.

### **Prohibition of Sales to EEA Retail Investors**

Unless the Final Terms in respect of any Public Sector Bonds specify the “Prohibition of Sales to EEA Retail Investors” as “Not Applicable”, the Dealer represents, warrants and agrees, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Public Sector Bonds which are the subject of the offering and listing contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to any retail investor in the EEA. For the purposes of this provision:

- (a) the expression “**retail investor**” means a person who is one (or more) of the following:
  - (i) a retail client, as defined in point (11) of Article 4(1) of Directive 2014/65/EU of the European Parliament and of the Council of 15 May (as amended, “**MiFID II**”); or
  - (ii) a customer within the meaning of Directive (EU) 2016/97 of the European Parliament and of the Council of 20 January on insurance distribution (as amended), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
  - (iii) not a qualified investor, as defined in the Prospectus Regulation; and

- (b) the expression an “**offer**” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Public Sector Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Public Sector Bonds.

If the Final Terms in respect of any Public Sector Bonds specify “Prohibition of Sales to EEA Retail Investors” as “Not Applicable”, in relation to each Member State of the EEA the Dealer represents, warrants and agrees, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Public Sector Bonds which are subject to the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to the public in that Relevant Member State except that it may make an offer of such Public Sector Bonds to the public in that Member State:

- (a) at any time to legal entity which is a qualified investor as defined in the Prospectus Regulation;
- (b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation) subject to obtaining the prior consent of the Dealer or Dealers nominated by the Issuer for any such offer; or
- (c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Regulation,

provided that no such offer of Public Sector Bonds referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an “**offer of Public Sector Bonds to the public**” in relation to any Public Sector Bonds in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Public Sector Bonds to be offered so as to enable an investor to decide to purchase or subscribe for the Public Sector Bonds and the expression “**Prospectus Regulation**” means Regulation (EU) 2017/1129.

## **Portugal**

In relation to the Public Sector Bonds, the Dealer represents and agrees with the Issuer, and each further Dealer appointed under the Programme will be required to represent and agree, that the Public Sector 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 (as amended and restated from time to time) unless the requirements and provisions applicable to the public offering in Portugal are met and registration, filing or approval procedures with the Portuguese Securities Market Commission (*Comissão do Mercado de Valores Mobiliários*, “*CMVM*”) is made; regarding any offer or sale of Public Sector Bonds by it in Portugal or to individuals resident in Portugal or having a permanent establishment in Portugal, it will comply with all laws and regulations in force in Portugal, including (without limitation) the Portuguese Securities Code, any regulations issued by the CMVM, the Commission Delegated Regulation (EC) no. 2019/979, of 14 March,

and Commission Delegated Regulation (EU) no. 2019/980 of 14 March, both supplementing the Prospectus Regulation, and other than in compliance with all such laws and regulations: (i) it has not directly or indirectly taken any action or offered, advertised, marketed, invited to subscribe, gathered investment intentions, sold or delivered and will not directly or indirectly take any action, offer, advertise, market, invite to subscribe, gather investment intentions, sell, re-sell, re-offer or deliver any Public Sector Bonds in circumstances which could qualify as a public offer (“oferta pública”) of securities pursuant to the Portuguese Securities Code and other applicable securities legislation and regulations, notably in circumstances which could qualify as a public offer addressed to individuals or entities resident in Portugal or having permanent establishment located in Portugal, as the case may be; (ii) it has not distributed, made available or caused to be distributed and will not distribute, make available or cause to be distributed the Base Prospectus or any other offering material relating to the Public Sector Bonds to the public in Portugal; and (iii) all offers, sales and distributions by it of the Public Sector Bonds have been and will only be made in Portugal in circumstances that, pursuant to the Portuguese Securities Code, qualify as a private placement of Public Sector Bonds only (*oferta particular*).

Furthermore, (i) if the Public Sector Bonds are subject to a private placement addressed exclusively to a qualified investors as defined, from time to time, in Article 30 of the Portuguese Securities Code (*investidores profissionais*), such private placement will be considered as a private placement of securities pursuant to the Portuguese Securities Code; and (ii) private placements addressed by companies open to public investment (*sociedades abertas*) or by issuers of securities listed on a regulated market shall be subsequently notified to the CMVM for statistics purposes.

## **General**

These selling restrictions may be modified by the agreement of the Issuer and the Dealer following a change in a relevant law, regulation or directive.

No representation is made that any action has been taken in any jurisdiction that would permit a public offering of any of the Public Sector 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.

The Dealer agrees that it will, to the best of its knowledge, comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Public Sector 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 therefore.

None of the Issuer and the Dealer represents that the Public Sector Bonds may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

## **Secondary Market Arrangements**

The Issuer may enter into agreements with the Dealer or other persons in relation to a Tranche or Series of Public Sector Bonds whereby the Dealer may agree to provide liquidity in those Public Sector 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 Public Sector 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 Public Sector 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 Public Sector Bonds.

## GENERAL INFORMATION

### Authorisation

The establishment of the Programme was duly authorised by (i) resolution of the Board of Directors of the Issuer dated 22 April 2008, renewed by resolution of the Board of Directors of the Issuer dated 28 September 2018 and (ii) the Programme has been subsequently updated by duly authorisations of the Issuer relevant management body, the last update having been duly authorised by a resolution of the Executive Committee of the Issuer dated 9 June 2020, in accordance with the provisions of the Public Sector Bonds Law.

### Listing

In respect of Public Sector Bonds which are intended to be listed, application will be made to Euronext for the admission of Public Sector Bonds issued under the Programme to trading on the regulated market Euronext Lisbon.

### Interbolsa

The Public Sector Bonds have been accepted for settlement through Interbolsa. The appropriate common code (if applicable) and ISIN for each Tranche of Public Sector Bonds will be specified in the relevant Final Terms. If the Public Sector 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 Public Sector Bonds to be issued under the Programme will be determined by the Issuer and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions.

### Significant or Material Change

There has been no material adverse change in the prospects of the Issuer since the publication of the Issuer's 2019 Report (Audited consolidated financial statements) and no significant change in the financial information the Issuer and BPI Group since the publication of the Issuer's unaudited consolidated results as of 30 June 2020.

### Litigation

On 2 February 2017, the Issuer informed the market that on 30 January 2017 was notified of a legal action challenging a corporate resolution.

Such legal action challenges the validity of the Issuer's General Meeting resolution passed on 13 December 2016 (the "**Resolution**"), which approved the Issuer's Board of Directors proposal to sell to Unitel, S.A. a

stakeholding comprised of 26 111 (twenty-six thousand, one hundred and eleven) shares, representing 2 per cent. of the share capital of Banco de Fomento Angola, S.A., pursuant to the sale and purchase agreement mentioned above. The legal action was filed by 4 individuals (the “**Claimants**”) who stated that they together held 175 920 shares, representing 0.0121 per cent. of the Issuer’s share capital. The Issuer understands that the merits relied on to support the invalidity of the resolution do not proceed. In July 2019, the Court of First Instance issued its decision. This decision dismissed all the grounds alleged by the Authors to sustain the Resolution’s invalidity and acquitted the Issuer. This decision was appealed by the Claimants to the Court of Second Instance. This Court has not yet issued its decision. Although trusting that its position will prevail, the Issuer cannot predict the outcome of this decision. The abovementioned legal action and the Issuer’ notification in such action do not suspend the effects of the contested decision.

In 2012, the Portuguese Competition Authority (PCA), under the powers legally attributed to it, opened administrative infraction proceedings against 15 banks operating in the Portuguese market, including the Issuer, due to alleged competition restrictive practices. On 1 June 2015, the Issuer was served the statement of objections, where it was accused of breaching the rules on competition.

On 27 September 2017, the Issuer presented its defence. During the process, and whenever appropriate, the Issuer appealed against several interlocutory rulings issued by the Competition Authority, which the Issuer considered as susceptible of violating its rights.

On 9 September 2019, the Issuer was notified of PCA’s decision which concluded that (i) the Issuer and other Portuguese banks had engaged in an exchange of information regarding past credit volumes and regarding spreads that were due to be publically disclosed and enter into force in a matter of days and (ii) that such conduct should be considered as an infringement by object. As a result, PCA decided to impose fines to all banks involved. The fine imposed on BPI was of 30 million euros.

The Issuer appealed this decision to the Competition Court as it considers that it has not committed the infringements attributed to it by the PCA and that therefore there should be no grounds for a conviction. As it shows in its appeal, the Issuer considers that (a) not only the alleged exchange of information did not occur as it is described by PCA (b) but also that (i) the exchange of information did not meet the conditions to be considered apt to result in negative effects to competition (ii) and it did not effectively caused any negative competitive effects, namely, it did not harm consumers. Although trusting that its position will prevail, the Issuer cannot predict the outcome of this appeal.

On 14 May 2020, the Issuer was notified of a court ruling on procedural matters related with the above mentioned appeal. Among other matters, the court ruled that the appeal should not entail a suspension of the appealed decision’s effects and declared that it would be prepared to accept a guarantee as a means to make such suspension admissible.

The Issuer appealed the court ruling that denied the suspension of the appealed decision’s effects and, as a subsidiary request, asked the court to accept a guarantee in an amount corresponding to part of the fine imposed by the appealed decision.

Save as disclose above, there have been no governmental, legal or arbitration proceedings (including any proceedings which are pending or threatened of which the Issuer is aware) during the 12 months preceding

the date of this Prospectus which may have or have had in the recent past a significant effect on the Issuer's financial position there.

### **Third party information**

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

The Issuer calculates its market share data using official sources of information, governmental or otherwise (as applicable). The source of third party information is identified where used. Where no official sources exist, the Issuer relies on its own estimates.

### **Accounts**

Pricewaterhousecoopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda., member of the Portuguese Institute of Statutory Auditors (“*Ordem dos Revisores Oficiais de Contas*”) with number 183 and registered with the CMVM with registration number 20161485, with its registered office at Palácio SottoMayor, Rua Sousa Martins, no. 1, 3<sup>rd</sup>, 1069-316 Lisbon, Portugal, have audited the consolidated accounts of the Issuer in accordance with generally accepted auditing standards in Portugal and the International Auditing Standards.

The consolidated accounts for the financial years ended 31 December 2018 and 31 December 2019, audited by Pricewaterhousecoopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda. were prepared according to International Accounting Standards (IAS) and with the International Financial Reporting Standards (IFRS) issued by International Accounting Standards Board (IASB) and endorsed by the European Union.

### **Documents Available**

Copies of the following documents will 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 Portuguese version of the Articles of Association of the Issuer;
- (b) the Portuguese version of the Issuer's consolidated Annual Report in respect of the financial years ended on 31 December 2019 and on 31 December 2018;
- (c) the Portuguese version of the results presentation with the consolidated results as of 30 June 2020 (unaudited results), dated of 31 July 2020;
- (d) the Programme Agreement;



- (e) the Agency and Payments Procedures;
- (f) the Common Representative Appointment Agreement;
- (g) this Base Prospectus and any supplement thereto;
- (h) any relevant Final Terms (save that Final Terms relating to Public Sector Bonds which are neither admitted to trading on a regulated market in the EEA nor offered in the EEA in circumstances where a prospectus is required to be published under the Prospectus Regulation will only be available for inspection by a holder of such Public Sector Bonds and such holder must produce evidence satisfactory to the Issuer or the relevant Paying Agent as to its holding of Public Sector Bonds and identity); and
- (i) in the case of an issue of Public Sector 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 Issuer ([www.bancobpi.pt](http://www.bancobpi.pt)) and the official website of the CMVM ([www.cmvm.pt](http://www.cmvm.pt)).

### **Post issuance reporting**

Any information which the Issuer is required by law or regulation to provide in relation to itself or securities issued by it, including the Public Sector Bonds, will be made available at [www.cmvm.pt](http://www.cmvm.pt) and at [www.bancobpi.pt](http://www.bancobpi.pt). The Issuer publishes quarterly investor reports on the outstanding Public Sector Bonds, including information on the Cover Pool and the applicable overcollateralisation. Such reports are available at: [https://rep.bancobpi.pt/RepMultimedia/getMultimedia.asp?channel=Multimedia%20-%20RI%20-%20D%EDvida%20Emitida&content=InvestorReport\\_ObrigacoesSectorPublico\\_Jun2020](https://rep.bancobpi.pt/RepMultimedia/getMultimedia.asp?channel=Multimedia%20-%20RI%20-%20D%EDvida%20Emitida&content=InvestorReport_ObrigacoesSectorPublico_Jun2020).

The following information could be found on the June 2020 Investor Report:

1. Current Credit Ratings	Long Term		Short Term	
Banco BPI Public Sector Covered Bond Programme	A1 (Moody's)		n/a	
Banco BPI	Baa3 / BBB / BBB (Moody's / S&P / Fitch)		P-3 / A-2 / F2 (Moody's / S&P / Fitch)	
Portugal	Baa3 / BBB / BBB / BBBH (Moody's / S&P / Fitch / DBRS)		P-1 / A-2 / F2 / R-1L (Moody's / S&P / Fitch / DBRS)	

2. Covered Bonds	Issue Date	Coupon	Maturity Date	Soft Bullet Date <sup>1</sup>	Remaining Term (years)	Nominal Amount (EUR)
<b>Covered Bonds Outstanding</b>					<b>2.46</b>	<b>600,000,000.00</b>
<b>Private Placements</b>						<b>600,000,000.00</b>
Series 3 (ISIN PTBBPROE0032)	2015-10-07	Floating	2022-10-07	2023-10-07	2.27	100,000,000.00
Series 4 (ISIN PTBBPGOE0035)	2016-06-15	Floating	2023-06-15	2024-06-15	2.96	150,000,000.00
Series 5 (ISIN PTBBPGOE0038)	2017-10-20	Floating	2022-10-20	2023-10-20	2.31	350,000,000.00
<b>CRD Compliant (yes/no)</b>						<b>Yes</b>

3. Asset Cover Test	Remaining Term (years)	Nominal Amount (EUR)
<b>Public Sector Credit Pool</b>	<b>11.02</b>	<b>779,995,275.89</b>
<b>Other Assets<sup>2</sup> (cash, deposits and securities)</b>	<b>0.00</b>	<b>2,008,279.52</b>
Cash and deposits	0.00	2,008,279.52
Other securities	0.00	0.00
<b>Total Cover Pool</b>	<b>10.99</b>	<b>782,003,555.41</b>
% of ECB eligible assets	11.02	99.74%
<b>Current overcollateralisation<sup>3</sup> (%)</b>		<b>30.33%</b>
<b>Committed overcollateralisation (%)</b>		<b>7.00%</b>
<b>Required overcollateralisation (Moody's) (%)</b>		<b>20.00%</b>
<b>Legal minimum overcollateralisation (%)</b>		<b>0.00%</b>

4. Other Triggers	
Net Present Value of Assets (incl. derivatives) <sup>4</sup>	829,447,627.57
Net Present Value of Liabilities (incl. derivatives) <sup>4</sup>	609,604,490.06
Net Present Value of Assets (incl. derivatives) - Net Present Value of Liabilities (incl. derivatives) >=0	OK
Net Present Value of Assets (incl. derivatives) - Net Present Value of Liabilities (incl. derivatives) >=0 (stress of +200 bps)	OK
Net Present Value of Assets (incl. derivatives) - Net Present Value of Liabilities (incl. derivatives) >=0 (stress of -200 bps)	OK
Other Assets <= 20% (Credit Pool + Other Assets)	OK
Deposits with a remaining term > 100 days <= 15% Covered Bonds Nominal	OK
Estimated Interest from Public Sector Credit and Other Assets - Estimated Interest from Covered Bonds >= 0	OK
Public Sector Credit + Other Assets WA Remaining Term - Covered Bonds WA Remaining Term >= 0	OK

5. Currency Exposure	
<b>Cover Pool includes:</b>	
Assets in a currency different than Euro (yes/no)	No
Liabilities in a currency different than Euro (yes/no)	No
Cross currency swaps (yes/no)	No
<b>Currency Exposure Detail</b>	n/a

## 6. Public Sector Credit Pool

### Main Characteristics

Number of loans	503
Original principal balance (EUR)	1,230,060,884.75
Current principal balance (EUR)	779,995,275.89
Average original principal balance per loan (EUR)	2,445,449.08
Average current principal balance per loan (EUR)	1,550,686.43
Current principal balance of the 5 largest borrowers (EUR)	312,650,578.31
Weight of the 5 largest borrowers (current principal balance) (%)	40.08%
Current principal balance of the 10 largest borrowers (EUR)	416,721,119.32
Weight of the 10 largest borrowers (current principal balance) (%)	53.43%
Weighted average seasoning (months)	76
Weighted average remaining term (months)	132
Weighted average interest rate (%)	1.44%
Weighted average spread (%)	1.36%
Max maturity date (YYYY-MM-DD)	2048-12-05

Interest Rate Type	Number of Loans	Number of Loans (%)	Loan Amount (EUR)	Loan Amount (%)
Fixed	17	3.38%	56,423,737.36	7.23%
Floating	486	96.62%	723,571,538.53	92.77%

Repayment Type	Number of Loans	Number of Loans (%)	Loan Amount (EUR)	Loan Amount (%)
Annuity / French	310	61.63%	231,617,935.80	29.69%
Linear	0	0.00%	0.00	0.00%
Increasing instalments	0	0.00%	0.00	0.00%
Bullet	2	0.40%	16,263,082.64	2.09%
Interest-only	0	0.00%	0.00	0.00%
Other	191	37.97%	532,114,257.45	68.22%

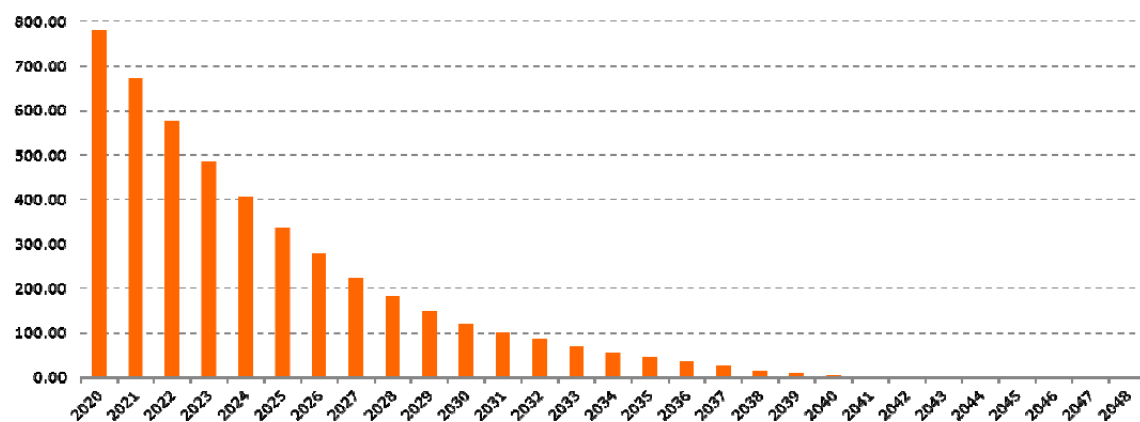
**6. Public Sector Credit Pool (continued)**

<b>Seasoning</b>	<b>Number of Loans</b>	<b>Number of Loans (%)</b>	<b>Loan Amount (EUR)</b>	<b>Loan Amount (%)</b>
Up to 3 months	2	0.40%	17,014,305.84	2.18%
3 - 6 months	2	0.40%	21,223,806.41	2.72%
6 - 9 months	1	0.20%	4,600,000.00	0.59%
9 - 12 months	1	0.20%	22,000,000.00	2.82%
12 - 18 months	2	0.40%	16,801,027.64	2.15%
18 - 24 months	6	1.19%	76,261,390.10	9.78%
24 - 36 months	19	3.78%	62,869,838.90	8.06%
36 - 48 months	43	8.55%	128,197,852.65	16.44%
48 - 60 months	15	2.98%	56,384,232.87	7.23%
More than 60 months	412	81.91%	374,642,821.48	48.03%
<b>Remaining Term</b>	<b>Number of Loans</b>	<b>Number of Loans (%)</b>	<b>Loan Amount (EUR)</b>	<b>Loan Amount (%)</b>
Up to 3 months	8	1.59%	432,363.05	0.06%
3 - 6 months	8	1.59%	6,404,812.33	0.82%
6 - 12 months	6	1.19%	173,031.95	0.02%
12 - 18 months	11	2.19%	2,502,915.17	0.32%
18 - 24 months	16	3.18%	4,427,662.85	0.57%
24 - 36 months	41	8.15%	18,882,838.74	2.42%
36 - 48 months	54	10.74%	43,328,087.55	5.55%
48 - 60 months	61	12.13%	35,851,585.92	4.60%
60 - 72 months	44	8.75%	85,532,663.18	10.97%
72 - 84 months	50	9.94%	39,626,560.12	5.08%
84 - 96 months	46	9.15%	44,366,393.27	5.69%
96 - 108 months	28	5.57%	56,682,002.80	7.27%
108 - 120 months	42	8.35%	41,189,571.59	5.28%
More than 120 months	88	17.50%	400,594,787.37	51.36%
<b>Debtor Type</b>	<b>Number of Loans</b>	<b>Number of Loans (%)</b>	<b>Loan Amount (EUR)</b>	<b>Loan Amount (%)</b>
Autonomous Regions	8	1.59%	129,770,727.98	16.64%
Municipalities	493	98.01%	565,678,275.84	72.52%
State Guarantee	2	0.40%	84,546,272.07	10.84%
<b>Debtor Rating<sup>5</sup></b>	<b>Number of Loans</b>	<b>Number of Loans (%)</b>	<b>Loan Amount (EUR)</b>	<b>Loan Amount (%)</b>
Ba1	5	0.99%	87,448,040.42	11.21%
Ba3	3	0.60%	42,322,687.56	5.43%
Baa3	2	0.40%	84,546,272.07	10.84%
Without Rating	493	98.01%	565,678,275.84	72.52%

Geographical Distribution	Number of Loans	Number of Loans (%)	Loan Amount (EUR)	Loan Amount (%)
<b>Portugal</b>	<b>503</b>	<b>100.00%</b>	<b>779,995,275.89</b>	<b>100.00%</b>
Lisboa	49	9.74%	286,668,995	36.75%
Centro	197	39.17%	146,209,137	18.74%
Norte	129	25.65%	136,845,392	17.54%
Região Autónoma dos Açores	13	2.58%	89,447,865	11.47%
Alentejo	78	15.51%	48,884,493	6.27%
Região Autónoma da Madeira	4	0.80%	42,527,050	5.45%
Algarve	33	6.56%	29,412,344	3.77%
<b>Delinquencies<sup>6</sup></b>	<b>Number of Loans</b>	<b>Number of Loans (%)</b>	<b>Loan Amount (EUR)</b>	<b>Loan Amount (%)</b>
> 30 to 60 days	0	0.00%	0.00	0.00%
> 60 to 90 days	0	0.00%	0.00	0.00%
> 90 days	0	0.00%	0.00	0.00%

#### Projected Outstanding Amount<sup>a</sup>

EUR millions



#### Amortisation Profile

Date	Principal Balance (EUR)
Jun-20	782,003,555.41
Jun-21	673,675,426.04
Jun-22	576,031,253.15
Jun-23	486,839,489.38
Jun-24	407,353,325.73
Jun-25	336,942,247.97
Jun-26	281,267,210.33
Jun-27	224,363,448.87
Jun-28	182,453,989.67
Jun-29	149,488,639.03
Jun-30	120,601,567.69
Jun-31	101,904,706.98
Jun-32	85,551,238.82
Jun-33	70,645,169.46
Jun-34	57,739,922.70
Jun-35	46,165,854.94
Jun-36	35,555,699.01
Jun-41	1,898,377.02
Jun-46	20,180.13

<sup>a</sup>Includes public sector credit pool and other assets; assumes no prepayments (constant prepayment rate of 0%)

#### 7. Expected Maturity Structure

In EUR	0-1 year	1-2 years	2-3 years	3-4 years	4-5 years	5-10 years	>10 years
Public Sector Credit <sup>b</sup>	106,319,849.85	97,644,172.89	89,191,763.77	79,486,163.65	70,411,077.76	216,340,680.28	120,601,567.69
Other Assets	2,008,279.52	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total Cover Pool</b>	<b>108,328,129.37</b>	<b>97,644,172.89</b>	<b>89,191,763.77</b>	<b>79,486,163.65</b>	<b>70,411,077.76</b>	<b>216,340,680.28</b>	<b>120,601,567.69</b>
<b>Total Covered Bonds</b>	<b>0.00</b>	<b>0.00</b>	<b>600,000,000.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

### **Stabilising manager**

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

### **Rating of the Public Sector Bonds**

Certain Series of Public Sector Bonds to be issued under this Base Prospectus may be rated or unrated. Where an issue of Public Sector Bonds is rated, such rating will be specified in the relevant Final Terms. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. Whether or not each credit rating applied for in relation to a relevant Series of Public Sector Bonds will be issued by a credit rating agency established in the European Union and registered the CRA Regulation will be disclosed in the Final Terms.

### **Language**

The language of this Base Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

## DEFINITIONS

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

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

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

“**Adjustment Spread**” means either a spread (which may be positive or negative), or the formula or methodology for calculating a spread, in either case, which the Issuer, following consultation with the Independent Adviser and acting in good faith and in a commercially reasonable manner, determines is required to be applied to the Successor Rate or the Alternative Rate (as the case may be) to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as the case may be) to holders of Public Sector Bonds as a result of the replacement of the Original Reference Rate with the Successor Rate or the Alternative Rate (as the case may be) and is the spread, formula or methodology which: (1) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body; or (if no such recommendation has been made, or in the case of an Alternative Rate); (2) the Issuer, following consultation with the Independent Adviser and acting in good faith and in a commercially reasonable manner, determines, is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be); (or if the Issuer determines that no such industry standard is recognised or acknowledged); (3) the Issuer, in its discretion, following consultation with the Independent Adviser and acting in good faith and in a commercially reasonable manner, determines to be appropriate.

“**Agency and Payments Procedures**” means the set of agency and payments procedures (such agency and payments procedures as amended and/or supplemented and/or restated) dated 19 June 2008 and made and agreed by Banco BPI, S.A. (acting in its capacity as Agent, which expression shall include any successor) and by any subsequent agent, paying agent, transfer agent and/or agent bank appointed by the Issuer, as amended.

“**Agent**” means Banco BPI, S.A., with head office at Rua Tenente Valadim, no. 284, 4100-476 Porto.

“**Alternative Rate**” means an alternative benchmark or screen rate which the Issuer following consultation with the Independent Adviser and acting in good faith and in a commercially reasonable manner, determines in accordance with Condition 4.5(B) of the Terms and Conditions is customary in market usage in the international debt capital markets for the purposes of determining floating rates of interest (or the relevant component part thereof) in the same Specified Currency as the Public Sector Bonds.

“**Arranger**” means Banco BPI, S.A., with head office at Rua Tenente Valadim, no. 284, 4100-476 Porto.

“**Banco BPI**” or “**BPI**” means Banco BPI, S.A., with head office at Rua Tenente Valadim, no. 284, 4100-476 Porto.

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

**“Base Prospectus”** means this base prospectus dated 20 August 2020, prepared in connection with the Programme.

**“Benchmark Amendments”** has the meaning given to it in Condition 4.5(D) of the Terms and Conditions.

**“Benchmark Event”** means:

(1) the Original Reference Rate ceasing to exist or ceasing to be published for a period of at least 5 Business Days in relation to a Rate of Interest of Floating Rate; or

(2) a public statement by the administrator of the Original Reference Rate that it will, by a specified date within the following six months, cease publishing the Original Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Original Reference Rate); or

(3) a public statement by the supervisor of the administrator of the Original Reference Rate, that the Original Reference Rate has been or will, by a specified date within the following six months, be permanently or indefinitely discontinued; or

(4) a public statement by the supervisor of the administrator of the Original Reference Rate as a consequence of which the Original Reference Rate will be prohibited from being used either generally, or in respect of the Public Sector Bonds, in each case within the following six months; or

(5) it has become unlawful for the Paying Agent, Calculation Agent, the Issuer or other party to calculate any payments due to be made to any holder of Public Sector Bonds using the Original Reference Rate, the occurrence of any such events (1) to (5) above to be determined by the Issuer.

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

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

**“Calculation Agent”** except if and where defined otherwise in this Base Prospectus, has the meaning ascribed to in the Final Terms.

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



“**Clearing System**” means Interbolsa.

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

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

“**Collateralisation Percentage**” means 107 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 the Collateralisation Percentage shall not, for so long as there are Public Sector Bonds outstanding and rated by Moody’s, be reduced by the Issuer below 107 per cent.

“**Common Representative**” means BNP Paribas Trust Corporation UK Limited, in its capacity as representative of the holders of the Public Sector Bonds pursuant to Article 14 of the Public Sector Bonds Law in accordance with the Terms and Conditions and the terms of the Common Representative Appointment Agreement, having its registered office at 10 Harewood Avenue, London, England, NW1 6AA, United Kingdom.

“**Common Representative Appointment Agreement**” means the agreement dated 19 June 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, as amended from time to time.

“**Condition**” means a reference to a particular numbered condition set out in the “Terms and Conditions of the Public Sector Bonds.

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

“**Cover Pool Monitor**” means Pricewaterhousecoopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda., member of the Portuguese Institute of Statutory Auditors (“Ordem dos Revisores Oficiais de Contas”) with number 183 and, and registered with the CMVM with registration number 20161485, with its registered office at Palácio SottoMayor, Rua Sousa Martins, no. 1, 3<sup>rd</sup>, 1069-316 Lisbon, Portugal.

“**Cover Pool Monitor Agreement**” means the agreement dated 19 June, 2008 entered into between the Issuer and the Cover Pool Monitor, as amended from time to time.

“**CRA Regulation**” means Regulation (EC) no. 1060/2009 of the European Parliament and of the Council, of 16 September, as amended from time to time;

“**CRD IV**” means Directive 2013/36/EU of the European Parliament and of the Council of 26 June, on access to the activity of credit institutions and the prudential supervision of credit institutions and investments firms, as amended from time to time;

“**Credit Institutions General Regime**” means Decree-Law no. 298/92 of 31 December, as amended from time to time.

“**CRR**” means Regulation (EU) no. 575/2013 of the European Parliament and of the Council of 26 June, on

prudential requirements for credit institutions and investment firms, as amended from time to time.

“CSD” means a central securities depository.

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

- (i) if “**Actual/Actual (ICMA)**” 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/Actual (ISDA)**” 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 (I) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (II) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (iii) if “**Actual/365 (Fixed)**” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;
- (iv) 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;
- (v) if “**Actual/360**” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;
- (vi) 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;

- (vii) 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; and

- (viii) 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.

**"DBRS"** means DBRS Ratings Limited, which as it is not established in the EU and has not applied for registration under the CRA Regulation, issues ratings that are endorsed in accordance with the CRA Regulation by DBRS Ratings Limited (entity registered with the European Securities and Markets Authority under the CRA Regulation).

**"Dealer"** means Banco BPI, S.A., with head office at Rua Tenente Valadim, no. 284, 4100-476 Porto.

**"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 Public Sector Bonds held through Euroclear and Clearstream, Luxembourg, the period that ends 40 days after the completion of the distribution of each Tranche of Public Sector Bonds, as certified by the relevant Dealer (in the case of a non-syndicated issue) or the relevant Lead Manager (in the case of a syndicated issue).

**"EBA"** means the European Banking Authority.

**"EC"** means the European Commission.

**"ECB"** means the European Central Bank.

**"EEA"** means the European Economic Area.

**"ESMA"** means the European Securities and Markets Authority.

**"EU"** means the European Union.

**"Euro"**, **"€"** or **"euro"** means the lawful currency of Member States of the EU that adopt the single currency introduced at the start of the third stage of European economic and monetary union, and as defined in Council Regulation (EC) no. 974/98, of 3 May 1998, on the introduction of the euro, as amended from time to time.

**"Euroclear"** means Euroclear Bank S.A./N.V.

**"Euronext Lisbon"** means the regulated market managed by Euronext Lisbon – Sociedade Gestora de Mercados Regulamentados, S.A.

**"Eurosystem"** means the monetary authority which comprises the ECB and the national central banks of the EU Member States whose currency is the Euro.

“**Final Settlement Date**” means the date which the financial settlement becomes definitive and irrevocable after the Bank of Portugal’s confirmation to Interbolsa;

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

“**Fitch**” means Fitch Ratings Limited, which is registered with the European Securities and Markets Authority under the CRA Regulation.

“**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.

“**GDP**” means gross domestic product.

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

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

“**IGCP**” means the Agência de Gestão da Tesouraria e da Dívida Pública - IGCP, E.P.E.

“**IMF**” means the International Monetary Fund.

“**Independent Adviser**” means an independent financial institution of international repute or an independent financial adviser with appropriate expertise in the international capital markets, in each case appointed by the Issuer under Condition 4.5(A) of the Terms and Conditions.

“**INE**” means the Statistics Portugal.

“**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 and/or (if applicable) under the Code for the Insolvency and Recovery of Companies introduced by Decree-Law no. 53/2004, of 18 March).

“**Instruction 13/2006**” means the regulatory instruction (“*Instrução*”) no. 13/2006 issued by the Bank of Portugal and published on 15 November 2006, relating to certain information duties applicable in relation to the issue of public sector bonds in accordance with the Public Sector Bonds Law.

“**Interbolsa**” means Interbolsa – Sociedade Gestora de Sistemas de Liquidação e de Sistemas Centralizados de Valores Mobiliários, S.A. as management entity of the Portuguese Centralised System of Registration of Securities (*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 Public Sector 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 Public Sector Bond, the date of issue and purchase of such Public Sector 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 BPI, S.A.

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

“**Moody's**” means Moody's Investors Service Ltd, which is registered with the European Securities and Markets Authority under the CRA Regulation.

“**Non-Performing Public Sector Credits**” means, with respect to a Public Sector Credit, that such Public Sector 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.

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

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

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

“**Original Reference Rate**” means the originally-specified benchmark or screen rate (as applicable) used to determine the Rate of Interest (or any component part thereof), as applicable, on the Public Sector Bonds.

“**Other Assets**” means all assets other than Public Sector Credits and Hedging Contracts which comply with the eligibility criteria established in the Public Sector 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 meeting both the low risk and high liquidity requirements of the Bank of Portugal;

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

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

“**Paying Agent**” means Banco BPI, S.A.

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

“**Portuguese Resolution Fund**” means the Portuguese resolution fund, as created by Decree-Law no. 31-A/2012, of 10 February 2012.

“**Portuguese Commercial Companies Code**” means the commercial companies code approved by Decree-Law no. 262/86, dated 2<sup>nd</sup> September, as amended from time to time.

“**Portuguese Securities Code**” means Decree-Law no. 486/99, of 13 November, as amended from time to time.

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

“**Programme**” means the €2,000,000,000 public sector bonds programme established on 19 June, 2008 for the issuance of Public Sector Bonds by the Issuer as described in this Base Prospectus.

“**Programme Agreement**” means the agreement dated 19 June, 2008 entered into between the Issuer and the Dealers, as amended from time to time.

“**Programme Documents**” means the Base Prospectus, the Programme Agreement, the Agency and Payments Procedures, the Common Representative Appointment Agreement, the Cover Pool Monitor Agreement and any other agreement or document entered into from time to time by the Issuer pursuant thereto and in relation to the Programme.

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

“**Prospectus Regulation**” means Regulation (EU) 2017/1129 of the Council of 14 June, as amended from time to time.

**“Public Sector Bond”** means any public sector bond issued by the Issuer pursuant to the Public Sector Bonds Law in the form specified in the applicable Final Terms and **“Public Sector Bonds”** shall be construed accordingly.

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

**“Public Sector Credit”** means credits receivables over the central administrations, regional or local authorities of any EU Member State or credits receivables guaranteed by the central administrations, regional or local authorities of any EU Member State.

**“Rating Agencies”** means Moody’s which is registered with the European Securities and Markets Authority under the CRA Regulation; DBRS which as it is not established in the EU and has not applied for registration under the CRA Regulation, issues ratings that are endorsed in accordance with the CRA Regulation by DBRS Ratings Limited, which is registered with the European Securities and Markets Authority under the CRA Regulation; and any other rating agency registered under the same CRA Regulation.

**“Reference Price”** means the reference price appearing in the relevant Final Terms.

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

**“Registered Public Sector Bond”** means any definitive Public Sector Bond in registered form.

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

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

**“Relevant Nominating Body”** means, in respect of a benchmark or screen rate (as applicable):

(1) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable); or

(2) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (a) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, (b) any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable), (c) a group of the aforementioned central banks or other supervisory authorities or (d) the Financial Stability Board or any part thereof.

**“Relevant Screen Page”** has the meaning ascribed to in the Final Terms.

**“Reserved Matter”** means any proposal: (i) to change any date fixed for payment of principal or interest in respect of the Public Sector 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 Public Sector Bonds of all or of a given Series or to alter the method of calculating the amount of any payment in respect of the Public Sector Bonds of all or of a given Series on redemption or maturity; (iii) to effect the exchange, substitution or conversion of the Public Sector 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 Public Sector 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 Public Sector Bonds of all or of a given Series; (vi) any other provided for pursuant to Portuguese law; or (vii) to amend this definition.

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

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

“**S&P**” means Standard & Poor’s Credit Market Services Europe Limited, which is registered with the European Securities and Markets Authority under the CRA Regulation.

“**Series**” means a Tranche of Public Sector Bonds together with any further Tranche or Tranches of Public Sector 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.

“**Single Resolution Board**” means resolution authority within the Banking Union established by the SRM Regulation.

“**Single Resolution Mechanism**” means the central institution for bank resolution in the EU, which is the second pillar of the banking union and which applies to banks covered by the Single Supervisory Mechanism.

“**SRM Regulation**” means Regulation (EU) no. 806/2014 of 15 July, as amended.

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

“**Stock Exchange**” means Euronext Lisbon or any other stock exchange where Public Sector Bonds may be listed as per the relevant Final Terms and references herein to the relevant Stock Exchange shall, in relation to any Public Sector Bonds, be references to the stock exchange or stock exchanges on which such Public Sector 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 Public Sector Bonds and to ensure the payments of the amounts due to the holders of such Public Sector Bonds.

“**Successor Rate**” means a successor to or replacement of the Original Reference Rate which is formally recommended by any Relevant Nominating Body.

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

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

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

“**Tax Authority**” means any government, state, municipal, local, federal or other fiscal, revenue, customs or excise authority, body or official anywhere in the world exercising a fiscal, revenue, customs or excise function including the Portuguese Tax and Customs Authority, 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 Public Sector Bonds, the terms and conditions to be endorsed on or applicable to the Public Sector Bonds and any reference to a particular numbered Condition shall be construed in relation to the Public Sector Bonds accordingly.

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

“**US**” or “**USA**” means the United States of America.

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

“**UCITS Directive**” means Directive 2009/65/EC of the European Parliament and of the Council of 13 July, relating to undertakings for collective investment in transferable securities, as amended from time to time.

“**Value**” means:

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

## ANNEX – ALTERNATIVE PERFORMANCE MEASURES

In addition to the financial information prepared in accordance with the International Financial Reporting Standards (IFRS), BPI uses a number of indicators in the analysis of the performance and financial position which are classified as Alternative Performance Indicators (APM) in accordance with the guidelines set by the European Securities and Markets Authority or ESMA about the disclosure of Alternative Performance Measures by entities published on 5 October 2015 (ESMA / 2015/ 1415). These indicators, which were not audited, are considered additional disclosures and in no case replace the financial information prepared in accordance with the IFRS. In addition, the way the Issuer defined and calculated these indicators may differ from the way similar indicators are computed by other companies and may therefore not be comparable. The following is a list of alternative performance indicators used by the Issuer, together with a reconciliation between certain management indicators and the consolidated financial statements and their notes prepared in accordance with IFRS.

ESMA Guidelines define an APM as a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework. Following the recommendations of ESMA Guidelines, the Issuer has copied hereunder its latest list of APMs.

### Reconciliation of income statement structure

With the entry into force of IFRS 9 at the beginning of 2018, Banco BPI decided to adopt a structure of the individual and consolidated financial statements consistent with the guidelines of Regulation (EU) 2017/1443 of 29 June, and with the structure of the financial statements presented by CaixaBank (consolidating entity of Banco BPI).

The table below shows, for the income statement of the activity in Portugal, the reconciliation of the structure presented in the 2019 Management Report with the structure presented in the financial statements and respective notes.

#### Income statement from the activity in Portugal

Amounts in €million

Management Report structure	2019	2019	Structure of the Financial Statements and attached notes
Net interest income	436.3	436.3	Net interest income
Dividend income	3.3	3.3	Dividend income
Equity accounted income	20.3	20.3	Share of profit/(loss) of entities accounted for using the equity method
	257.9	281.0	Fee and commission income

Net fee and commission income		(23.1)	Fee and commission expenses
Gains/(losses) on financial assets and liabilities and other	10.8	(0.1)	Gains/(losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net
		5.0	Gains/(losses) on financial assets and liabilities held for trading, net
		(9.8)	Gains/(losses) on financial assets not designated for trading compulsorily measured at fair value through profit or loss, net
		3.1	Gains/(losses) from hedge accounting, net
		12.6	Exchange differences (gain/loss), net
Other operating income and expenses	(21.2)	32.8	Other operating income
		(54.0)	Other operating expenses
<b>Gross income</b>	<b>707.4</b>	<b>707.4</b>	<b>GROSS INCOME</b>
Staff expenses	(246.1)	(246.1)	Staff expenses
Other administrative expenses	(148.1)	(148.1)	Other administrative expenses
Depreciation and amortisation	(53.9)	(53.9)	Depreciation and amortisation
<b>Operating expenses</b>	<b>(448.1)</b>	<b>(448.1)</b>	<b>Administrative expenses, depreciation and amortisation</b>
<b>Net operating income</b>	<b>259.3</b>	<b>259.3</b>	
Impairment losses and other provisions	36.8	(2.3)	Provisions or reversal of provisions
		39.1	Impairment/(reversal) of impairment losses on financial assets not measured at fair value through profit or loss
Gains and losses in other assets	4.7	1.0	Impairment /(reversal) of impairment in subsidiaries joint ventures and associates

		1.7	Impairment/(reversal) of impairment on non-financial assets
		(1.4)	Gains/(losses) on derecognition of non-financial assets, net
		3.4	Profit/(loss) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations
<b>Net income before income tax</b>	<b>300.8</b>	<b>300.8</b>	<b>PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS</b>
Income taxes	(70.5)	(70.5)	Tax expense or income related to profit or loss from continuing operations
<b>Net income from continuing operations</b>	<b>230.2</b>	<b>230.2</b>	<b>PROFIT/(LOSS) AFTER TAX FROM CONTINUING OPERATIONS</b>
Net income from discontinued operations		0.0	Profit/(loss) after tax from discontinued operations
Income attributable to non-controlling interests		0.0	Profit/(loss) for the period attributable to non-controlling interests
<b>Net income</b>	<b>230.2</b>	<b>230.2</b>	<b>PROFIT/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT</b>

The earnings, efficiency and profitability indicators are defined by reference to the aforementioned structure of the income statement presented in the Management Report.

### Earnings, efficiency and profitability indicators

**Gross income** = Net interest income + Dividend income + Net fee and commission income + Equity accounted income + Gains/(losses) on financial assets and liabilities and other + Other operating income and expenses

**Commercial banking gross income** = Net interest income + Dividend income + Net fee and commission income + Equity accounted income excluding the contribution of stakes in African banks

**Operating expenses** = Staff expenses + Other administrative expenses + Depreciation and amortisation

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**Net operating income** = Gross income - Operating expenses

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**Net income before income tax** = Net operating income – Impairment losses and other provisions + Gains and losses in other assets

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**Cost-to-income ratio (efficiency ratio)** <sup>22)</sup> = Operating expenses / Gross income

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**Core cost-to-income ratio (core efficiency ratio)** <sup>1)</sup> = (Operating expenses, excluding costs with early-retirements and voluntary terminations and (only in 2016) gains with the revision of the Collective Labour Agreement (ACT) - Income from services rendered to CaixaBank Group) / Commercial banking gross income

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**Return on Equity (ROE)** <sup>1)</sup> = Net income for the period, less the interest cost of AT1 capital instruments recorded directly in shareholders' equity / Average value in the period of shareholders' equity attributable to BPI shareholders, excluding AT1 capital instruments

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**Return on Tangible Equity (ROTE)** <sup>1)</sup> = Net income for the period, less the interest cost of AT1 capital instruments recorded directly in shareholders' equity / Average value in the period of shareholders' equity attributable to BPI shareholders (excl. AT1 capital instruments) after deduction of intangible net assets and goodwill of equity holdings

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**Return on Assets (ROA)** <sup>1)</sup> = (Net income attributable to BPI shareholders + Income attributable to non-controlling interests - preference shares dividends paid) / Average value in the period of net total assets

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**Unitary intermediation margin** = Loan portfolio (excluding loans to employees) average interest rate - Deposits average interest rate

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### Balance sheet and funding indicators

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**On-balance sheet Customer resources** = Deposits + Capitalisation insurance of fully consolidated subsidiaries + Participating units in consolidated investment funds

Where:

- Deposits = Demand deposits and other + Term and savings deposits + Interest payable + Retail bonds (Fixed rate bonds placed with Customers : 18.3 M.€ in Dec.2018 and 6.5 M.€ in Dec.2019)

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<sup>22)</sup> Ratio refers to the last 12 months, except where otherwise indicated. The ratio can be computed for the cumulative period since the beginning of the year, in annualised terms, in which case it will be clearly marked.

- Capitalisation insurance of fully consolidated subsidiaries (BPI Vida e Pensões sold in Dec.17) = Unit links capitalisation insurance and “Aforro” capitalisation insurance and others (Technical provisions + Guaranteed rate and guaranteed retirement capitalisation insurance)

*Note: The amount of on-balance sheet Customer resources is not deducted of applications of off-balance sheet products (mutual funds and pension funds) in on-balance sheet products*

**Assets under management** = Mutual funds + Capitalisation insurance + Pension funds

- Mutual funds = Unit trust funds + Real estate investment funds + Retirement-savings and equity-savings plans ("PPR" and “PPA” in Portuguese) + Hedge funds + Assets from funds under BPI Suisse management + Third-party unit trust funds placed with Customers
- Capitalisation insurance = third-party capitalisation insurance placed with Customers
- Pension Funds = pension funds under BPI management (includes BPI pension funds)

*Notes:*

*(i) Amounts deducted of participation units in the Group banks' portfolios and of placements of off-balance sheet products (mutual funds and pension plans) in other off-balance sheet products.*

*(ii) Following the sale of BPI Vida e Pensões in Dec. 17, the capitalisation insurance placed with BPI's Customers was recognised off balance sheet, as "third-party capitalisation insurance placed with Customers" and pension funds management was excluded from BPI's consolidation perimeter.*

**Subscriptions in public offerings** = Customer subscriptions of third-party public offerings

**Total Customer resources** = On-balance sheet Customer resources + Assets under management + Subscriptions in public offerings

**Gross loans to customers** = Gross loans and advances to Customers (financial assets at amortized cost), excluding other assets (guarantee accounts and others) + Gross debt securities issued by Customers (financial assets at amortized cost)

*Note: gross loans = performing loans + loans in arrears + interest receivable*

**Net loans to Customers** = Gross loans to customers – Impairments for loans to customers

**Loan to deposit ratio** (CaixaBank criteria) = (Net loans to Customers - Funding obtained from the EIB, which is used to provide credit) / Deposits and retail bonds

## Asset quality indicators

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**Impairments and provisions for loans and guarantees (in income statement)** = Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss relative to loans and advances to Customers and to debt securities issued by Customers (financial assets at amortised cost), before deduction of recoveries of loans previously written off from assets, interest and others + Provisions or reversal of provisions for commitments and guarantees

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**Cost of credit risk** = Impairments and provisions for loans and guarantees (in income statement) - Recoveries of loans previously written off from assets, interest and other (in income statement)

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**Cost of credit risk as % of loan portfolio** <sup>23)</sup> = [Impairments and provisions for loans and guarantees (in income statement) - Recoveries of loans previously written off from assets, interest and other] / Average value in the period of the gross loans and guarantees portfolio.

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**Performing loans portfolio** = Gross customer loans - (Overdue loans and interest + Receivable interests and other)

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**NPE Ratio** = Ratio of non-performing exposures (NPE) in accordance with the EBA criteria (prudential perimeter)

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**Coverage of NPE** = [Impairments for loans and advances to Customers (financial assets at amortised cost) + Impairments for debt securities issued by Customers (financial assets at amortised cost) + Impairments and provisions for guarantees and commitments] / Non-performing exposures (NPE)

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**Coverage of NPE by impairments and associated collaterals** = [Impairments for loans and advances to Customers (financial assets at amortised cost) + Impairments for debt securities issued by Customers (financial assets at amortised cost) + Impairments and provisions for guarantees and commitments + Collaterals associated to NPE] / Non-performing exposures (NPE)

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**Non-performing loans ratio (“*credito dudoso*”, Bank of Spain criteria)** = Non performing loans (Bank of Spain criteria) / (Gross customer loans + guarantees)

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**Non-performing loans (Bank of Spain criteria) coverage ratio** = [Impairments for loans and advances to customers (financial assets at amortised cost) + Impairments for debt securities issued by Customers (financial assets at amortised cost) + Impairments and provisions for guarantees and commitments] / Non performing loans (Bank of Spain criteria)

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23) Ratio refers to the last 12 months, except where otherwise indicated. The ratio can be computed for the cumulative period since the beginning of the year, in annualised terms, in which case it will be clearly marked.



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**Coverage of non-performing loans (Bank of Spain criteria) by impairments and associated collaterals**  
= [Impairments for loans and advances to customers (financial assets at amortised cost) + Impairments for debt securities issued by Customers (financial assets at amortised cost) + Impairments and provisions for guarantees and commitments + Collateral associated to credit] / Non performing loans (Bank of Spain criteria)

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**Impairments cover of foreclosed properties** = Impairments coverage of foreclosed properties = Impairments for real estate received in settlement of defaulting loans / Gross value of real estate received in settlement of defaulting loans

### Per share indicators

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**Earnings per share (EPS)** = Net income, less the interest cost of AT1 capital instruments / Weighted average no. of shares in the period (basic or diluted)

*The earnings per shares (basic or diluted) are calculated in accordance with IAS 33 - Earnings per share.*

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**Book value per share (BV per share or BVPS)** = Shareholders' equity attributable to BPI shareholders (excluding AT1 capital instruments) / no. of shares at the end of the period

*Note: the number of shares considered in the denominator is deducted of the treasury stocks portfolio and is adjusted for capital increases, whether by incorporation of reserves (bonus issue) or by subscription reserved for shareholders (rights issue), amongst other events, in a similar way to the calculation of earnings per share.*

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