

This consolidated Base Prospectus is for convenience only. In the event of any inconsistency between this consolidated Base Prospectus and the Base Prospectus dated June 19th, 2008, as supplemented on June 25th, 2009 on August 19th, 2010, on November 4th, 2010, on 17th October 2012 and on 21ST December 2012 (all the documentation is available for viewing at www.cmvm.pt and www.ir.bpi.pt), the provisions of these documents shall prevail. The consolidation of this Base Prospectus is of the sole responsibility of the issuer.



BANCO BPI, S.A.

(incorporated with limited liability in Portugal)

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

BASE PROSPECTUS

Banco BPI, S.A. (the “**Issuer**”, “**Banco BPI**” or “**BPI**”) is an authorised credit institution for the purposes of Decree-Law no. 59/2006, of 20th March 2006 (as amended, 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 June 19th, 2008, as supplemented on June 25th, 2009, on August 19th, 2010, on November 4th, 2010, on 17th October 2012 and on 21ST December 2012 (the “**Base Prospectus**”), which is valid until 22th April 2018 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 may be issued in bearer form (the “**Bearer Public Sector Bonds**”) or, except for Public Sector Bonds intended to be issued in new global note (“**NGN**”) form, registered form (respectively, the “**Bearer Public Sector Bonds**” and the “**Registered Public Sector Bonds**”) and be represented in book-entry form, in the form of either a temporary global public sector bond or a permanent global public sector bond, or in NGN form. 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 one or more of the Dealers specified under *Summary of the Programme* and any additional Dealer appointed under the Programme from time to time by the Issuer (each a “**Dealer**” and together, the “**Dealers**”), which appointment may be for a specific issue or on an ongoing basis. References in this Base Prospectus to the relevant Dealer shall, in the case of an issue of 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 Risk Factors for a discussion of certain risk factors to be considered in connection with an investment in the Public Sector Bonds.

This document comprises a base prospectus (the “**Base Prospectus**”) for the purposes of Article 135-C. of the Portuguese Securities Code (as amended and which was approved by Decree-Law no. 486/99, of 13 November 1999: the “**Portuguese Securities Code**”) which implemented Article 5.4 of Directive no. 2003/71/EC, of 4 November 2003 (the “**Prospectus Directive**” which expression means Directive 2003/71/EC and amendments thereto, including Directive 2010/73/EU (the “**2010 PD Amending Directive**”), to the extent implemented in the Relevant Member State, of Article 26 of the Commission Regulation (EC) no. 809/2004 (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. 143.2. of the Portuguese Securities Code. Application has been made to the Comissão do Mercado de Valores Mobiliários (the “**CMVM**”), as Portuguese competent authority under the Prospectus Directive, the Prospectus Regulation and the Portuguese Securities Code to approve this document as a Base Prospectus and further application has been made to Euronext Lisbon for the admission of Public Sector Bonds issued under the Programme to trading on the Portuguese official quotation market (“**Mercado de Cotações Oficiais**”) in Portugal (“**Euronext Lisbon**”) or any other regulated market for the purposes of Directive no. 2004/39/EC of the European Parliament and of the Council of April 21th, 2004, as amended from time to time, on markets in financial instruments. 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 or other regulated market. The Programme provides that Public Sector Bonds may be listed or admitted to trading on Euronext Lisbon or other regulated market. The Programme provides that Public Sector Bonds may be listed or admitted to trading, as the case may be, on such other stock exchange(s) or markets (including regulated markets) as may be agreed between the Issuer and the relevant Dealer. The Issuer may also issue unlisted Public Sector Bonds and/or Public Sector Bonds not admitted to trading on any market.

The rating of certain Series 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, as amended (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 7th June, 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration is not refused.

Arranger

Banco BPI

Dealer

Banco BPI

This Base Prospectus has been most recently supplemented on 21ST December 2012 and is valid until April 22th, 2018.

RESPONSIBILITY STATEMENTS

In respect of the Issuer, this Base Prospectus comprises a base prospectus for the purposes of each of the Prospectus Directive, Article 26 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 Directive, the Prospectus Regulation, the Portuguese Securities Code and all remaining laws and regulations applicable thereto.

For the purposes of Articles 149, 150 and 243 of the Portuguese Securities Code each of the Issuer, the members of the Board of Directors of the Issuer and the members of the Supervisory Board of the Issuer (see *Management, Supervisory Board and Statutory Auditor of the Issuer*) are responsible for the information contained in this Base Prospectus, subject to the qualifications below and hereby declare that, to the best of its knowledge (having taken all reasonable care to ensure that such is the case), the information contained in this Base Prospectus is in accordance with the facts and contains no omissions likely to affect its import. The Statutory Auditor of the Issuer has responsibility for the financial information that has been certified by it and that is included in this Base Prospectus.

Deloitte & Associados – SROC, S.A., registered with the CMVM with number 231, with registered office at Edifício Atrium Saldanha, Praça Duque de Saldanha, 1 - 6º 1050-094, Lisbon (the Statutory Auditor of the Issuer, hereinafter referred to as the “**Auditor**”), has audited and expressed an opinion on the financial statements of the Issuer for the financial years ended December 31st, 2009, December 31st, 2010 and December 31st, 2011 (see *General Information*). The Certification of Accounts and Auditor’s Reports referring to the above financial periods are incorporated by reference in this Base Prospectus (see *Documents Incorporated by Reference*).

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.

In accordance with article 149, no. 3 (*ex vi* article 243) of the Portuguese Securities Code, liability of the entities referred to above is excluded if any of such entities proves that the addressee knew or should have known about the shortcoming 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 of the Portuguese Securities Code, the Issuer is strictly liable (i.e. independently of fault) if any of the members of its management board, members of the auditing body, accounting firms, chartered accountants and any other individuals that have certified or, in any other way, verified the accounting documents on which the Base Prospectus is based is held responsible for any information, forecast or study included in the same.

Further to article 153 and to subparagraph b) of article 243 of the Portuguese Securities Code, the right to compensation based on the aforementioned responsibility statements is to be exercised within six months following the knowledge of a shortcoming 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.

No person has been authorised to give any information or to make any representation not contained in, or not consistent with, this Base Prospectus in connection with the issue or sale of 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.

This Base Prospectus or any Final Terms (as defined below) does not constitute an offer to sell or a solicitation of an offer to buy any securities other than 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 is not authorised or 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 Dealers 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 Dealers (save for application for approval by the CMVM - the competent authority in Portugal for the purposes of the Prospectus Directive and the relevant Portuguese laws - as a base prospectus compliant with the Prospectus Directive and the relevant Portuguese laws) which would permit a public offering of any Public Sector Bonds outside the European Economic Area (“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, the United Kingdom, the EEA, Japan, Republic of Italy, and Portugal. See *Subscription and Sale and Secondary Market Arrangements*.

The Arranger, the Common Representative and the Dealers have not separately verified the information contained or incorporated in this Base Prospectus. None of the Arranger, the Common Representative or the Dealers makes any representation 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 in this Base Prospectus, except for the information relating to each of the Arranger, the Common Representative and the Dealers. Neither this Base Prospectus nor any other financial statements are 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 Dealers that any recipient of this Base Prospectus or any other financial statements 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 Dealers undertakes to review the financial condition or affairs of the Issuer during the life of the arrangements contemplated by this Base Prospectus nor to advise any investor or potential investor in Public Sector Bonds of any information coming to the attention of the Arranger, the Common Representative or any of the Dealers.

This Base Prospectus has been prepared on the basis that, except to the extent sub-paragraph (ii) below may apply, any offer of Public Sector Bonds in any Member State of the EEA which has

implemented the Prospectus Directive (each, a “**Relevant Member State**”) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Public Sector Bonds. Accordingly any person making or intending to make an offer in that Relevant 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 Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer, or (ii) if a prospectus for such offer has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State and (in either case) published, all in accordance with the Prospectus Directive, provided that any such prospectus has subsequently been completed by final terms which specify that offers may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State and such offer is made in the period beginning and ending on the dates specified for such purpose in such prospectus or final terms, as applicable. Except to the extent sub-paragraph (ii) above may apply, neither the Issuer nor any Dealer have authorised, nor do they authorise, the making of any offer of 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 make 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 third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No. 974/98 of 3 May 1998 on the introduction of the euro, as amended, to “**U.S.\$**”, “**USD**” or “**U.S. dollars**” are to United States dollars, the lawful currency of the United States of America, and to “**£**” or “**GBP**” or “**pounds sterling**” are to pounds sterling, the lawful currency of the United Kingdom.

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In connection with the issue of any Tranche (as defined in General Description of the Programme), the Dealer or Dealers (if any) named as the stabilising manager(s) (the “**Stabilising Manager(s)**”) (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms may over-allot 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.

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 under Regulation (EC) No. 1060/2009 (as amended by Regulation (EU) No. 513/2011 of the European Parliament and the Council, the “**CRA Regulation**”) will be disclosed in the Final Terms.

GENERAL DESCRIPTION OF THE PROGRAMME

Under this Programme, the Issuer may from time to time issue Public Sector Bonds denominated in any currency agreed between the Issuer and the relevant Dealer, subject as set out herein. A summary of the terms and conditions of the Programme and the Public Sector Bonds appears under *Summary of the Public Sector Bonds Programme*. The applicable terms of any Public Sector Bonds will be agreed between the Issuer and the relevant Dealer prior to the issue of those Public Sector Bonds and will be set out in the Terms and Conditions of the Public Sector Bonds endorsed on, or attached to, the Public Sector Bonds as modified and supplemented by the applicable final terms attached to, or endorsed on, such Public Sector Bonds (the “**Final Terms**”), as more fully described under *Final Terms for Public Sector Bonds* below. Public Sector Bonds may be issued under the Programme up to 22 April 2018 most recently supplemented on 21ST December 2012

This Base Prospectus will only be valid for admitting Public Sector Bonds to trading on Euronext Lisbon or any other regulated market for the purposes of Directive no. 2004/39/EC, of the European Parliament and of the Council, of April 21th, 2004, on markets in financial instruments until no more of Public Sector Bonds concerned with this Programme are issued in a continuous or repeated manner in an aggregate nominal amount which, when added to the aggregate nominal amount then outstanding on all Public Sector Bonds previously or simultaneously issued under the Programme, does not exceed € 2,000,000,000 (subject to increase in accordance with the Programme Agreement (as defined below)) or its equivalent in other currencies. For the purpose of calculating the euro equivalent of the aggregate nominal amount of Public Sector Bonds issued under the Programme from time to time:

- (a) the euro equivalent of Public Sector Bonds denominated in another Specified Currency (as specified in the applicable Final Terms in relation to the Public Sector Bonds, described under Final Terms for Public Sector Bonds) shall be determined, at the discretion of the Issuer, either as of the date on which agreement is reached for the issue of Public Sector Bonds or on the preceding day on which commercial banks and foreign exchange markets are open for business in London and Lisbon, in each case, on the basis of the spot rate for the sale of the euro against the purchase of such Specified Currency in the Lisbon foreign exchange market quoted by any leading international bank selected by the Issuer on the relevant day of calculation;
- (b) the euro equivalent of Index Linked Public Sector Bonds (as specified in the applicable Final Terms in relation to the Public Sector Bonds, described under *Final Terms for Public Sector Bonds*) shall be calculated in the manner specified above by reference to the original nominal amount on issue of such Public Sector Bonds; and
- (c) the euro equivalent of Zero Coupon Public Sector Bonds (as specified in the applicable Final Terms in relation to the Public Sector Bonds, described under *Final Terms for Public Sector Bonds*) and other Public Sector Bonds issued at a discount or a premium shall be calculated in the manner specified above by reference to the net proceeds received by the Issuer for the relevant issue.

SUMMARY OF THE PUBLIC SECTOR BONDS PROGRAMME

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

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

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

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

DESCRIPTION:	Public Sector Bonds Programme.
PROGRAMME SIZE:	Up to € 2,000,000,000 (or its equivalent in other currencies, all calculated as described under <i>General Description of the Programme</i>) aggregate principal amount (or, in the case of Public Sector Bonds issued at a discount, their aggregate nominal value) of Public Sector Bonds outstanding at any time. The Issuer will have the option at any time to increase the amount of the Programme, subject to compliance with the relevant provisions of the Programme Agreement. Public Sector Bonds may be issued under the Programme up to 22 April 2018.
ISSUER:	Banco BPI, S.A. (see <i>Description of the Issuer</i>).
AUDITOR:	The Issuer's auditor is Deloitte & Associados – SROC, S.A., member of the Portuguese Institute of Statutory Auditors (“ <i>Ordem dos Revisores Oficiais de Contas</i> ”), registered with the CMVM with registration number 231, with registered office at Edifício Atrium Saldanha, Praça Duque de Saldanha, 1 – 6 th , 1050-094, Lisbon.
ARRANGER:	Banco BPI, S.A.
DEALER:	Banco BPI, S.A. and any other dealers appointed from time to time by the Issuer in accordance with the Programme Agreement.
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 Bonds Law in accordance with the Terms and Conditions and the terms of the Common Representative Appointment Agreement, having its registered office at 55 Moorgate London EC2R6PA, United Kingdom.
AGENT:	Banco BPI, S.A. in its capacity as Agent, with head office at Rua Tenente Valadim, no. 284, Porto.
PAYING AGENT:	Banco BPI, S.A., in its capacity as Paying Agent, with head office at Rua Tenente Valadim, no. 284, Porto, and any other Paying Agent appointed from time to time by the Issuer in accordance with the Programme Documents.

COVER POOL

MONITOR: Deloitte & Associados – SROC, S.A., member of the Portuguese Institute of Statutory Auditors (“*Ordem dos Revisores Oficiais de Contas*”), registered with the CMVM with registration number 231, with registered office at Edifício Atrium Saldanha, Praça Duque de Saldanha, 1 – 6th, 1050-094, Lisbon. See *Cover Pool Monitor*.

HEDGE

COUNTERPARTIES: The parties or party (each, a “**Hedge Counterparty**” and together, the “**Hedge Counterparties**”) that, from time to time will enter into Hedging Contracts with the Issuer in accordance with the Public Sector Bonds Law.

RISK FACTORS: There are certain 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 *Risk Factors* below and include, *inter alia*, exposure to adverse changes in the Portuguese economy, the credit risk of borrowers and clients of the Issuer, the risk of increased competition in the Portuguese market and other market risks to which the Issuer is or may become exposed. In addition, there are risk factors which are material for the purpose of assessing the other risks associated with Public Sector Bonds issued under the Programme. These are also set out in detail under *Risk Factors* below and include, *inter alia*, the untested nature of the Public Sector Bonds Law, the dynamics of the legal and regulatory requirements, the fact that the Public Sector Bonds may not be suitable investments for all investors and the risks related to the structure of a particular issue of Public Sector Bonds.

Where Public Sector Bonds are denominated in a currency other than the reference currency used by the investor, changes in currency exchange rates may have an adverse effect on the value, price or income of the Public Sector Bonds and the risks related to applicable tax certification requirements.

DISTRIBUTION: Public Sector Bonds may be distributed by way of private placement and on a non-syndicated or syndicated basis. The method of distribution of each Tranche of Public Sector Bonds will be stated in the applicable Final Terms. Public Sector Bonds will be issued and placed only outside the United States in reliance on Regulation S under the Securities Act (“**Regulation S**”). See *Subscription and Sale and Secondary Market Arrangements*.

CERTAIN

RESTRICTIONS: Each issue of Public Sector Bonds denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see *Subscription and Sale and Secondary Market Arrangements*).

CURRENCIES: Subject to compliance with relevant laws, Public Sector Bonds may be issued in any currency agreed between the Issuer and the relevant Dealer(s) (as set out in the applicable Final Terms) except Public Sector Bonds held through Interbolsa, which may only be issued 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.

REDENOMINATION: The applicable Final Terms may provide that certain Public Sector Bonds not denominated in euro on issue may be redenominated in euro.

RATINGS: Public Sector Bonds issued under the Programme are expected on issue to be rated at least by one rating agency which has applied to be registered with the European Securities and Markets Authority under Regulation (EC) no. 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies as amended by Regulation (EU) no. 513/2011 of the European Parliament and of the Council of 11 May 2011 (the “**CRA Regulation**”).

A rating addresses the likelihood that the holders of Public Covered Bonds will receive ultimate repayment of principal and interest.

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.

LISTING AND

ADMISSION TO

TRADING:

Application has been made to the CMVM to approve this document as a Base Prospectus and further application has been made to Euronext Lisbon for the admission of Public Sector Bonds issued under the Programme to trading on Euronext Lisbon. Public Sector Bonds may, after notification by the CMVM to the supervision authority of the relevant Member State(s) of the European Union (“EU”) in accordance with Article 18 of the Prospectus Directive, be admitted to trading on the regulated market(s) of and/or be admitted to listing on stock exchange(s) of any other Member States of the EEA. Public Sector Bonds which are neither listed nor admitted to trading on any market may also be issued under the Programme. The relevant Final Terms will state whether or not the relevant Public Sector Bonds are to be listed and/or admitted to trading and, if so, on which stock exchange(s) and/or regulated market(s).

SELLING

RESTRICTIONS:

There are restrictions on the offer, sale and transfer of the Public Sector Bonds in the United States, Japan, the EEA, the United Kingdom, Italy and Portugal as set out in *Subscription and Sale and Secondary Market Arrangements* and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Public Sector Bonds in a particular jurisdiction, which will be set out in the relevant Final Terms.

UNITED STATES

SELLING

RESTRICTION:

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 except in accordance with Regulation S. Accordingly, the Public Sector Bonds are being offered and sold only outside the United States in reliance upon Regulation S under the Securities Act. There are also restrictions under United States tax laws on the offer or sale of Bearer Public Sector Bonds to U.S. persons; Bearer Public Sector Bonds may not be sold to U.S. persons except in accordance with United States Treasury regulations as set

forth in the applicable Final Terms. See *Subscription and Sale and Secondary Market Arrangements*.

USE OF PROCEEDS: Proceeds from the issue of Public Sector Bonds will be used to support the business of the Issuer in the terms permitted by the Public Sector Bonds Law.

**STATUS OF THE
PUBLIC SECTOR**

BONDS: The Public Sector Bonds will constitute direct, unconditional and unsubordinated obligations of the Issuer and will rank *pari passu* among themselves. The Public Sector Bonds will be issued by the Issuer in accordance with the Public Sector Bonds Law and, accordingly, will be secured on cover assets that comprise a cover assets pool maintained by the Issuer in accordance with the terms of the Public Sector Bonds Law, and will 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. See *Characteristics of the Cover Pool*.

**TERMS AND
CONDITIONS OF
THE PUBLIC**

SECTOR BONDS: Final Terms will be prepared in respect of each Tranche of Public Sector Bonds, supplementing or modifying the Terms and Conditions of the Public Sector Bonds set out in *Terms and Conditions of the Public Sector Bonds*.

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

**FORM OF THE
PUBLIC SECTOR**

BONDS: The Public Sector Bonds held through Interbolsa will be in book-entry form, either in bearer or in registered form, and thus title to such Public Sector Bonds will be evidenced by book entries in accordance with the provisions of the Portuguese Securities Code and the applicable CMVM regulations. No physical document of title will be issued in respect of Public Sector Bonds held through Interbolsa. The Public Sector Bonds held through Euroclear and/or Clearstream will be issued in the form of either a temporary global public sector bond or a permanent global public sector bond and may be issued in bearer form or, except when issued in NGN form, in registered form, as indicated in the applicable Final Terms. Registered Public Sector Bonds will not be exchangeable for Bearer Public Sector Bonds and vice versa. See *Form of the Public Sector Bonds and Clearing Systems*.

**TRANSFER OF
PUBLIC SECTOR**

BONDS: The Public Sector Bonds may be transferred in accordance with the provisions of the relevant Clearing System or other central securities depository with which

the relevant Public Sector Bond has been deposited. The transferability of the Public Sector Bonds is not restricted.

MATURITIES: The Public Sector Bonds will have such maturities as may be agreed between the Issuer and the relevant Dealer(s) and as set out in the applicable Final Terms, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body), the Public Sector Bonds Law or any laws or regulations applicable to the Issuer or the relevant Specified Currency. Currently the Public Sector Bonds Law establishes that Public Sector Bonds may not be issued with a maturity term shorter than 2 years and in excess of 50 years. See also *Extended Maturity Date*.

ISSUE PRICE: The Public Sector Bonds may be issued on a fully-paid basis and at an issue price which is at par or at a discount to, or premium over, par, as specified in the applicable Final Terms.

EVENTS OF DEFAULT: Issuer Insolvency. See *Terms and Conditions of the Public Sector Bonds*.

NEGATIVE PLEDGE: None.

CROSS DEFAULT: None.

GUARANTOR: None.

FIXED RATE

PUBLIC SECTOR

BONDS: Fixed interest will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer(s) and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer(s) (as set out in the applicable Final Terms).

FLOATING RATE

PUBLIC SECTOR

BONDS: Floating Rate Public Sector Bonds will bear interest determined separately for each Series as follows:

- on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association Inc. (“**ISDA**”) and as amended and updated as at the Issue Date of the first Tranche of Public Sector Bonds of the relevant Series); or
- on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or
- on such other basis as may be agreed between the Issuer and the relevant Dealer(s), as set out in the applicable Final Terms.

The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer(s) for each Series of Floating Rate Public Sector Bonds. Interest periods will be specified in the applicable Final Terms.

ZERO COUPON

PUBLIC SECTOR

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

INDEX LINKED

PUBLIC SECTOR

BONDS: Payments of principal in respect of Index Linked Redemption Public Sector Bonds or of interest in respect of Index Linked Interest Public Sector Bonds will be calculated by reference to such index and/or formula as may be specified in the applicable Final Terms.

REDEMPTION: The applicable Final Terms relating to each Series of Public Sector Bonds will specify either (i) that the relevant Public Sector Bonds cannot be redeemed prior to their stated maturity, save as provided for in the Public Sector Bonds Law (other than in specified instalments, if applicable – see *The Public Sector Bonds Law*), or (ii) that the relevant Public Sector Bonds will be redeemable at the option of the Issuer and/or the holder of Public Sector Bonds upon giving notice to the holder of Public Sector Bonds or the Issuer, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer(s). The applicable Final Terms may provide that the Public Sector Bonds may be redeemable in two or more instalments of such amounts and on such dates as are specified in the applicable Final Terms. See also *Extended Maturity Date*.

EXTENDED

MATURITY DATE: Under the applicable Final Terms, an Extended Maturity Date will, in principle, apply to all Series of the Public Sector Bonds, but may not be applicable if the rating provided by the rating agencies appointed by the Issuer at the relevant time in respect of the Programme is not adversely affected by such non applicability.

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

As regards interest on Public Sector Bonds to which an Extended Maturity Date so applies, if the Issuer fails to redeem the relevant Public Sector Bonds in full on the Maturity Date (or within two Business Days thereafter), the Public Sector Bonds will bear interest on the principal amount outstanding of the Public Sector Bonds from (and including) the Maturity Date to (but excluding) the earlier of the Interest Payment Date after the Maturity Date on which the Public Sector Bonds are redeemed in full or the Extended Maturity Date and will be payable in respect of the Interest Period ending immediately prior to the relevant Interest Payment Date in arrear or as otherwise provided for in the applicable Final Terms on each Interest Payment Date after the Maturity Date at the rate provided for in the applicable Final Terms.

In the case of a Series of Public Sector Bonds to which an Extended Maturity Date so applies, those Public Sector Bonds may for the purposes of the Programme be:

- (a) Fixed Interest Public Sector Bonds, Zero Coupon Public Sector Bonds, Floating Rate Public Sector Bonds or Index Linked Public Sector Bonds in respect of the period from the Issue Date to (and including) the Maturity Date;
- (b) Fixed Interest Public Sector Bonds, Floating Rate Public Sector Bonds or Index Linked Public Sector Bonds in respect of the period from (but excluding) the Maturity Date to (and including) the Extended Maturity Date, as set out in the applicable Final Terms.

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

DENOMINATION OF THE PUBLIC SECTOR

BONDS: Public Sector Bonds will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer(s), as specified in the applicable Final Terms, subject to compliance with the applicable legal and/or regulatory and/or central bank requirements and provided that each Series will have Public Sector Bonds of one denomination only. See *Certain Restrictions* above.

MINIMUM

DENOMINATION: The Public Sector Bonds to be issued on or after the date hereof will be issued in denomination per unit equal to or higher than €1,000 (or its equivalent in another currency) as specified in the relevant Final Terms, provided that any Public Sector Bond distributed to the public or admitted to trading on a regulated market will always be in a denomination per unit not lower than €100,000 (or its equivalent in another currency).

TAXATION OF THE PUBLIC SECTOR

BONDS: All payments in respect of the Public Sector Bonds will be made without deduction for, or on account of, withholding Taxes imposed by any jurisdiction, unless the Issuer shall be obliged by law to make such deduction or withholding. The Issuer will not be obliged to make any additional payments in respect of any such withholding or deduction imposed. In order for withholding tax not to apply the holders of the Public Sector Bonds must, *inter alia*, deliver certain tax certifications. See *Taxation*.

THE PUBLIC SECTOR

BONDS LAW: The Public Sector Bonds Law introduced into Portuguese Law a framework for the issuance of certain types of asset covered bonds. Asset covered bonds can only be issued by (i) credit institutions for the purpose of the Credit Institutions General Regime or (ii) by special credit institutions created pursuant to the

Public Sector Bonds Law, whose special purpose is the issue of asset covered bonds. Article 32 of the Public Sector Bonds Law establishes that issuers of public sector bonds shall maintain a cover assets pool, comprised of 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 limited classes of other assets, over which the holders of the relevant public sector bonds have a statutory special creditor privilege.

The Public Sector Bonds Law also provides for (i) the inclusion of certain hedging contracts in the relevant cover pool and (ii) certain special rules that shall apply in the event of insolvency of the Issuer. The Public Sector Bonds Law and the Bank of Portugal Regulations further provide for (i) the supervision and regulation of issuers of public sector bonds by the Bank of Portugal, (ii) the role of a cover pool monitor in respect of each issuer of public sector bonds and the relevant cover pool maintained by it, (iii) the role of the common representative of the holders of public sector bonds, (iv) restrictions on the types and status of the assets comprised in a cover pool (including weighted average interest receivables and weighted average maturity restrictions), and (v) asset/liability management between the cover pool and the public sector bonds, See *Characteristics of the Cover Pool, Insolvency of the Issuer, Common Representative of the Holders of Public sector Bonds* and *The Public Sector Bonds Law*.

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

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

RISK FACTORS

The Issuer believes that the following factors may 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.

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

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

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

Public Sector Bonds are obligations of the Issuer only

The Public Sector Bonds will constitute unsubordinated obligations of the Issuer secured by a special creditor privilege (“*privilégio creditório especial*”) created under the Public Sector Bonds Law over the Cover Pool (as defined in *Terms and Conditions of the Public Sector Bonds*) maintained by the Issuer. An investment in the Public Sector Bonds although primarily based and secured by the Public Sector Credits included in the Cover Pool, involves also a reliance on the creditworthiness of the Issuer. The Public Sector Bonds are not guaranteed by any person. In addition, an investment in Public Sector Bonds involves the risk that subsequent changes in the actual or perceived creditworthiness of the Issuer may adversely affect the market value of the relevant Public Sector Bonds.

Economic environment

After steady economic growth during the years of 1995–2000, the Portuguese economy started to slow down in 2000. This reduction was intensified by the simultaneous slowdown of the world economy. As a consequence of the financial crisis in 2007, the decline in both confidence and liquidity has led to a fall in demand in investment and production. As a financial group whose core business is banking (taking deposits and using them to grant loans) in Portugal, the state of the Portuguese economy affects the performance of Banco BPI. For the half year ended 30th June, 2012, approximately 53% of the Group's net income was derived from its activities in Portugal. Hence, Banco BPI is particularly exposed to macroeconomic and other factors that affect growth in the Portuguese market as well as to the credit risk of its Portuguese private and corporate banking customers.

In May 2011, global financial stress and high internal imbalances led Portugal into agreeing to a 3-year financial support programme sponsored by the European Union (the “EU”) and the International Monetary Fund (the “IMF”), amounting to € 78 billion. One-third of the total funding program will be through IMF financing – €26 billion– and two-thirds – €52 billion – come from European Union partners. The combined interest rate should stand at 3.25%-4.25%. The funding package includes up to € 12 billion for recapitalisation of the banking sector. As part of the conditionality attached to the 3-year arrangement, the EU finance ministers approved a stabilisation programme for Portugal that includes the reduction of the public deficit to 5.9% in 2011; 4.5% in 2012 and 3% in 2013 (the “**Stabilisation Programme**”). The public debt to GDP ratio is also expected to revert the present uptrend and start to contract. Moreover, the release of the programmed tranches will be dependent on quarterly reviews conducted by the European Commission (the “EC”) and the European Central Bank (the “ECB”) with

co-operation of the IMF, in order to assess the implementation of the conditionality terms by Portuguese officials.

Measures to reduce the fiscal deficit are mainly focused on the expenditure side, including the freezing of public sector wages and pensions up to 2013; cuts on pensions above € 1,500; a 1% yearly cut in the number of public servants in central administration and 2% in local and regional administration; suspension of new Public-Private Partnerships and large infrastructure projects; rationalization of spending on defence, state-owned companies and local government; reduction of operating costs of state-owned companies by 15% from 2009 levels and tighter debt ceilings from 2012; 15% cut in management positions and administration units in regional government and related companies. These measures are expected to reduce the weight of expenditures by 3.65% of GDP until 2013. On the revenue side, measures includes the increase of regular property tax although tax on property transfer will be reduced; revision of the list of goods taxed by the lower VAT rate; reduction/elimination of fiscal benefits, mainly those related with housing, health and education; elimination of reduced rates on corporate tax. These measures should allow a 1.7 pp revenue increase until 2013.

Besides measures to balance public accounts, the Programme comprises a package of structural reforms that envisage improving competitiveness and fostering potential growth. On the structural reforms side, Portuguese authorities have already agreed to a full fledged labour market reform with social parties and the privatisation programme has been unfolding according to schedule. The new labour market legislation will help promoting flexibility in the labour market and thus facilitate a rapid allocation of scarce resources, namely from non-tradable goods sectors into tradable goods sectors. Most structural reforms are designed to bring more factor mobility into the Portuguese economy and, as a consequence, to render it more productive and competitive. It is true that the bulk of the stabilisation programme hinges on the reduction of the public deficit and in putting public debt into a more solid footing. Still, on the longer-run, it will be crucial to enhance potential growth (that has averaged 1% in real terms in the past decade) as a pre-condition to render public finances sustainable.

Under the 3-year Stabilisation programme, Portuguese authorities have to put in place a set of measures related to public finances, financial stability, and competitiveness, that will strongly impact economic performance, particularly in 2012. On the public accounts front, the target set for the current year, 4.5% of GDP, implies the largest adjustment effort since 1974, the onset of the democratic regime. It will have to be achieved without non-recurrent measures, while the economy is expected to register a significant contraction of 3%.

The expected increase in unemployment, higher taxes, the expected fall in households' incomes (in real terms in the private sector and nominal terms in public administration) and greater constraints in accessing credit will be reflected in household disposable income. In addition to the restrictive measures already announced, which will take place throughout 2012, the possibility that additional austerity measures will be necessary, should constrain consumers' behaviour. Households should continue to be very cautious, rationalizing and postponing acquisitions, especially of durable goods. In this context, Private Consumption will decline significantly. Uncertain demand, higher spreads alongside with restrictive access to financing and shrinkage in the construction and public works sector, will also result in Capex decline. Finally, Public Spending will have to fall back substantially to ensure the compliance with the goals and commitments agreed with international creditors. In this context, only the expected increase in exports, although at a lower pace than in 2011 (given the slowdown in external demand and the nearing of full capacity), and falling imports will prevent a more negative scenario.

Notwithstanding the strong commitment of Portuguese authorities to attain the agreed targets, the execution of the programme faces a high degree of uncertainty. Non-compliance with the set of targets agreed to EC and IMF may deteriorate further both economic and financial conditions of the Portuguese economy, entrenching recession and aggravating liquidity constraints. Any further significant deterioration of global economic conditions, including the credit profile of other EU countries, or the creditworthiness of Portuguese or international banks, or changes to the Eurozone, may give rise to concerns regarding the ability of Portugal to meet its funding needs. On the other hand, it is also not certain that full delivery of the agreed measures by Portugal will produce a material alleviation of the

present financial restraints. Accordingly, the uncertainties resulting from Portugal's economic crisis, implementation of the Stabilisation Programme, and related market reaction, have had, and may continue to have, a material adverse effect on Banco BPI business, results of operations and financial condition.

Since the beginning of 2011, Portugal suffered several downgrades. Fitch downgraded Portugal to BB+ in November 2011, S&P to BB in January 2012 and Moody's to Ba3 in February 2012. As a consequence, ratings of Portuguese banks were also downgraded.

Information on the ratings granted to the Issuer is available on the CMVM's website (www.cmvm.pt), under the section Material Information through the following link: http://web3.cmvm.pt/english/sdi2004/emitentes/emit_fact.cfm?num_ent=%23%224S%5D%0A.

The rating agencies outlook remains negative and highly dependent of fiscal consolidation and on the implementation of measures to improve Portuguese competitiveness. Doubts concerning the ability to reach the targets agreed will be reflected on new downgrades; thus, raising the cost of risk of the Portuguese debt and, consequently, impacting negatively on Portuguese banks results.

It is probable that further downgrades of Portugal by several rating agencies would result in higher haircuts to any eligible collateral and thus a reduction in the pool of assets that might be considered eligible collateral.

The possibility of a Greek default and the contagion effect in Ireland, Portugal, Spain and Italy is, currently an important factor of instability, curbing confidence. In light of this, we should not exclude the possibility that EU may fall into recession in 2012, adding pressures on the Portuguese economy.

Current economic conditions in Portugal imply the reduction in credit and in demand for financial products and services in the markets in general. Alongside with financial assets quality deterioration, these are expected to have an adverse effect on financial conditions and results of Banco BPI.

Banco BPI performance, results of operations and financial condition are also affected by the economic conditions and levels of economic activity in countries outside of the EU where Banco BPI operates, such as Angola and Mozambique. Consequently a protracted global economic decline could reduce the overall level of economic activity in the market, thereby reducing Banco BPI ability to collect deposits and forcing it to satisfy its liquidity requirements by resorting to the more expensive capital markets.

The impact of the financial and credit crisis

The performance of Banco BPI is reliant on global financial markets conditions and economic activity. Since the summer of 2007, the global financial system has faced tough conditions; in particular, financial markets have had negative performances as a consequence of the declaration of insolvency of several international financial institutions since September 2008. This situation has caused disruptions in the financial markets worldwide, namely in which refers to liquidity and funding in the international banking system. Furthermore, this situation has put significant pressure on the core business of many investment banks, commercial banks, and insurance companies worldwide. In response to the instability and lack of liquidity in the market, some countries, including some EU members and the United States of America have intervened by injecting liquidity and capital into the system with the goal of stabilising financial markets and, in some cases, preventing the insolvency of certain financial institutions.

Even so, volatility in the capital markets remained very high. Market disorders led to the collapse of some financial institutions, disruptions in the financial markets worldwide and widespread liquidation of assets, significantly affecting credit markets. These asset sales, along with asset sales by other leveraged investors, including some hedge funds, have rapidly driven down prices and valuations across a wide variety of traded asset classes. Asset price deterioration has a negative effect on the valuation on many of the asset categories represented on the balance sheet of the issuer, and reduces their ability to sell assets at prices deemed acceptable.

Increasing uncertainties about the resolution of the European sovereign risk crisis were reflected in a loss of investors' confidence, weakening the investor base, and driving up funding costs, namely for the European financial sector. This was especially apparent in the so-called peripheral countries of the Euro zone. These developments have created an unfavourable environment for banking activity generally.

Regarding Portugal, its high level of sovereign debt linked to concerns about Portugal's ability to consolidate its public accounts, has produced downward pressure on stock prices and credit capacity for financial market participants. In the event of further deteriorations in the financial markets, an issuer's ability to access the capital markets and obtain the necessary funding to support its business activities on acceptable terms may be adversely affected. A lack of ability to refinance assets on the balance sheet or maintain appropriate levels of capital to protect against deteriorations in their value could force an issuer to liquidate assets held at depressed prices or on unfavourable terms.

The current economic environment is a source of challenges for BPI, and may adversely affect its business, financial condition and results of operations in the following ways:

- The business was affected by factors mentioned above, namely through higher funding costs, both wholesale and retail, and by the depreciation of its share prices and asset values. In the case of further deteriorations on market conditions, BPI will be affected. Any worsening of the current economic climate could jeopardise BPI's strategy and impact on its ability to meet the needs of its clients and adversely affect its profitability.
- BPI is exposed to potential losses if certain financial institutions, or other counterparties to BPI, become insolvent or are not able to meet their financial obligations to BPI. Moreover, the performance of BPI may be influenced by an inability to recover the value of its own assets at percentage levels consistent with its own historical recovery estimates, particularly as such estimates could prove to be inaccurate in light of the unprecedented turbulence in the markets.
- Numerous banks worldwide have been and are being supported in part by various "rescue plans" and other types of support by their home country governments. BPI is uncertain as to how much longer governmental support will be needed to keep these banks solvent and whether governments will have the means or the political will to continue this support. Any failure of government support to continue could result in more bank failures and heightened lack of confidence in the global banking system, thus increasing the challenges faced by BPI and other financial institutions.
- In addition, external intervention from the EU and the IMF might involve a reorganisation of the Portuguese banks. Whilst this may erode their deposit base and negatively impact upon their financing needs, it might also provide the conditions necessary to ensure that Portuguese banks have access to regular funding during the economic and financial stabilisation programme jointly provided by the IMF and the EU (although the funding requirements originally anticipated may not be enough). This external intervention also requires Portuguese banks to comply with regulatory capital ratios that result in the recapitalisation of Portuguese banks. The Bank of Portugal has already implemented higher minimum core tier I ratios for Portuguese banks, at a consolidated level, in December 2011 and December 2012 of 9% and 10%, respectively. There might also be difficulties in resuming the market's financing when the Stabilisation Programme has finished.

Uncertainty is likely to carry on into 2013 and risks are skewed to the downside: the relevant foreign demand may slow down more than expected, fiscal consolidation measures may need to be strengthened and a possible disruption episode in the Euro zone would have unpredictable consequences given the dependence of the national economy from abroad.

Banking Markets and Competition

Structural changes in the Portuguese economy over the past several years have significantly increased competition in the Portuguese banking sector. These changes principally relate to the privatisation of several sectors of the economy, including banking and insurance, as well as to the integration of the Portuguese economy into the European Union and the introduction of the euro.

Banco BPI, S.A. faces intense competition in all of its areas of operation (including, among others, banking, investment banking, specialised credit and asset management). The competitors of Banco BPI, S.A. in the Portuguese market are Portuguese commercial banks, savings and investment banks and foreign banks, many of which have recently entered the Portuguese market. Over the last years, mergers

and acquisitions involving the largest Portuguese banks have resulted in a significant concentration of market share, a process which Banco BPI, S.A. expects may continue. Competition has increased further with the emergence of non-traditional distribution channels, such as internet and telephone banking. Currently, the Portuguese financial system is quite concentrated, with the five largest banks controlling 78% of total assets, and the largest two, 44% (as of 31 December, 2011). The principal competitors of Banco BPI, S.A. in the banking sector (ranking in terms of assets as of June 30th, 2012) are Caixa Geral de Depósitos, the Millennium BCP Group, Banco Espírito Santo Group and the Santander/Totta Group.

Although Banco BPI, S.A. believes that it is in a strong position to continue to compete in the Portuguese market, there is no assurance that it will be able to compete effectively in the markets 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 and will continue to be affected by the current 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.

Banco BPI S.A.'s exposure to adverse political, governmental or economic developments related to its international expansion

Banco BPI continues to pursue its international strategy, with particular emphasis on its market position in Angola and Mozambique. Banco BPI can give no assurance that it will be successful in Angola, Mozambique or any of the other international markets where it operates. Banco BPI's international operations 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 Banco BPI's financial condition and its results of operations. As of June 30th, 2012, Banco BPI international operations generated a net income of 39.8 million and accounted for 47% of Banco BPI's net income in the first half of 2012.

Economic activity in Portugal

The Issuer's business activities (including mortgage lending activities) are dependent on the level of banking, finance and financial services required by its customers and borrowers in Portugal. In particular, levels of borrowing are heavily dependent on customer confidence, employment trends, the condition of the Portuguese economy and market interest rates. 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. A weakening in the Portuguese economy may have a material effect on the Issuer's financial condition and on the results of its operations.

Regulation of the Portuguese Financial Industry

Banco BPI, S.A. operates in a highly regulated industry and its banking activities are subject to extensive regulation by, among others, the European Central Bank, the Bank of Portugal and the CMVM. These entities have broad administrative powers over many aspects of the financial services business, which may include 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. These various regulations can significantly increase the cost structure of a bank and limit its possibilities for increasing its income.

The Portuguese financial industry has been reacting to a steady stream of changes in the regulatory and legal framework since the early 1980s. The process of deregulation and liberalisation began in 1983 and was followed by the opening process (initiated in 1989) of the banking system to foreign competition. Restrictions on capital movement have been gradually lifted as Portugal implemented legislation bringing Portuguese banking regulations in line with European Community legislative practice. In particular, the "Banking Law" of December 1992 (Decree Law no 298/92) made a noticeable impact on the Portuguese financial sector by introducing a comprehensive regulatory framework in Portugal in line

with European Community directives, abolishing the distinction between investment and commercial banks, establishing prudential and supervisory rules, revising regulation of foreign banks operating in Portugal and Portuguese banks operating abroad and creating a deposit guarantee fund in order to protect depositors. In January 2005, the majority of the Portuguese financial sector, representing more than 84% of total liquid assets, adopted IAS/IFRS accounting rules.

In order to adopt the Codified Banking Directive (2006/48/EC) and the Capital Adequacy Directive (2006/49/EC) a new regulatory framework was implemented in 2007 with the publication of Decree Law no. 103/2007 and Decree Law no 104/2007, both of 3rd April, and a new set of Notices and Instructions of the Bank of Portugal regulating the provisions laid down in those Decree Laws. This new regulatory framework came into full force and effect during 2007 and at 1st January, 2008.

The new regulation created the possibility to use two methods for the calculation of own funds requirements. The first method is the Standardised Approach, which is largely based on the credit ratings published by external credit assessment institutions ("*ECAI*"). It implies weighing the risks in accordance with the type of borrower and the type of exposure. The second method, for which two variations exist, is the Internal Ratings Based approach ("*IRB*"). The IRB approach allows the use of internal methodologies for the calculation of own funds requirements, where the calculation of risk weighted exposure amounts considers as input parameters the probability of default ("*PD*"), the loss given default ("*LGD*") and the exposure at default ("*EAD*"). Banco BPI, S.A. applies the Standardise Approach method.

Also in 2007 the implementation of Directives 2004/39/EC, 2006/73/EC and Regulation 1287/2006 on markets and financial instruments ("*MiFID*") and also of the Directives 2004/109/EC and 2007/14/EC (the "*Transparency Directives*") occurred. This new legislation has a two-fold aim of protecting investors and ensuring the smooth operation of the securities market. Its implementation was necessary to ensure that transparency of transactions is achieved and that the rules laid down for that purpose apply to investment firms when they operate on markets.

During 2008, the Bank of Portugal published a new set of Notices and Instructions, namely Notices 6/2008 and 11/2008, that apply new rules for pension funds valuation and its impact on the calculation of core capital. Notice 8/2008 changes core capital and capital ratio calculation methods to comply with Directives 2006/48/CE and 2006/49/CE.

During 2009 and 2010, the following directives have been implemented: (i) Directive 2007/44/EC amending several Directives as regards procedural rules and evaluation criteria for the prudential assessment of acquisitions and increase of holdings in the financial sector, (ii) Directive 2009/27/EC (amending certain Annexes to Directive 2006/49/EC) as regards technical provisions concerning risk management and (iii) Directive 2009/111/EC as regards banks affiliated to central institutions, certain own funds items, large exposures, supervisory arrangements, and crisis management.

The Basel Committee on Banking Supervision has recently announced a substantial strengthening of existing capital rules, particularly as a result of the weaknesses in banks' capital structure unveiled during the recent financial crisis. The new bank capital rules will be applicable from 1st January, 2013 and may have a significant impact on the ongoing activities and on the capital structure of BPI together with its consolidated subsidiaries (the "**BPI Group**"). The Committee's package of reforms will increase the minimum common equity requirement from 2% to 4.5%. In addition, banks will be required to hold a capital conservation buffer of 2.5% to face future periods of crisis, increasing the total common equity requirements to 7%.

These changes in the regulatory and legal framework of the Portuguese financial sector, as well as any implementation of future EC directives related to the financial industry, may have an impact on the business of BPI Group. Changes in existing regulatory laws may materially affect the way in which BPI Group conducts its business, the products and services it may offer and the values of its assets.

In addition, the Bank of Portugal has established minimum provisioning requirements regarding current loans, non-performing loans, overdue loans, impairment for securities and equity holdings, sovereign

risk and other contingencies. Therefore, any change in these requirements could have an adverse impact on the results of operations of the Issuer.

On December 31st, 2010 the Bank of Portugal issued Regulation 6/2010 on own funds calculation rules applicable to credit institutions (which has then been amended by Regulation 7/2010 and by Regulation 2/2012). This regulation replaced Bank of Portugal Regulation 12/92 on the matter which had been amended several times since its publication.

During 2011, the Bank of Portugal issued Notice 3/2011 (which has then been amended by Notice 8/2011 and by Notice 4/2012) that established a minimum Core Tier I of 9% as of 31st December, 2011 and of 10% as of December 31st, 2012.

Additionally, on December 8th, 2011, the European Banking Authority (“EBA”) issued a recommendation to the European banks who are subject to the capital exercise, with the objective of creating a temporary capital buffer to address current market concerns over sovereign risk, which reflect the current market prices of exposures to sovereign debt. Within this framework, the EU banks are required to establish a buffer such that the Core Tier I capital ratio reaches a level of 9% by the end of June 2012, bearing in mind valuation of sovereign debt at market prices on September 30th, 2011. In the case of Banco BPI, the impact of sovereign debt amounted to 1 359 million Euro.

As of June 30th, 2012, the own funds ratio of Banco BPI was 14.50% and the Core Tier I capital ratio was 9.4% under EBA criteria and 14.5% under Bank of Portugal criteria. On June 4th, 2012 BPI announced that its Board of Directors approved the recapitalisation plan, developed in accordance with the “Recapitalisation Program for Credit Institutions” established by Law no. 63-A/2008 of November 24th (as amended by Law 4/2012 of 11th January), and in compliance with the goals defined in the Stabilisation Program and requirements of the EBA regarding the objectives for the capital ratio (Core Tier 1). Accordingly, its Core Tier 1 capital has been increased by EUR 1,500 million by the end of the month of June. The recapitalisation plan components are: (a) a capital increase to raise funds, subscribed by BPI’s shareholders exercising their legal right of preference, in a total amount of EUR 200 million and (b) the subscription by the State of hybrid instruments that qualify as Core Tier 1 (instruments established by Ministerial Order (*Portaria*) no. 150-A/2012, of May 17th, that are fully repayable by BPI over a period of five years and which only in specific circumstances, including non-compliance or failure to pay, can be converted into shares of BPI), in a total amount of EUR 1,500 million, which were decreased to EUR 1,300 million immediately after the capital increase. On June 27th, 2012, the General Meeting of BPI, unanimously approved the recapitalisation plan submitted to the Bank of Portugal for the purpose of BPI accessing the public investment envisaged in Law 63-A/2008 of 24 November, as described in the previous paragraph.

On August 7th, 2012 BPI announced that the 400,000,000 ordinary, book entry, nominal shares, with no par value offered to the subscription of BPI shareholders at a price of 0.50 euros per share, were fully subscribed. All new shares was admitted to trade on Euronext Lisbon on August 13th, 2012.

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

In addition, the Stabilisation Programme also establishes key leverage reforms and specific medium term funding plans. This increase in supervision from the Bank of Portugal could increase costs and force BPI to dispose of its assets under unfavourable conditions. BPI could also be adversely affected if the requirements for public recapitalisation are implemented in accordance with the Stabilisation Programme.

Risks associated with the implementation of its risk management policies

Within its normal activity BPI Group is exposed to a number of risks that include market risk, credit risk, country risk, liquidity risk and operational risk. BPI has implemented management policies and procedures designed to maintain each of those risks duly monitored and under control. Although BPI has followed best practices in this area and takes into account what are believed to be worst case scenarios in

the calculations, the policies and procedures it employs to identify and manage these risks may not be fully effective.

Credit Risk

Risks arising from changes in credit quality and the repayment of loans and amounts due from borrowers and counterparties are inherent in a wide range of the Issuer's business. Adverse changes in the credit quality of the Issuer's borrowers and counterparties, a general deterioration in Portuguese or global economic conditions, or increased systemic risks in financial systems, could affect the recovery and value of the Issuer's assets and require an increase in provision for bad and doubtful debts and other provisions. This would have a material adverse effect on each of the Issuer's financial condition and results of operations. The Issuer faces the risk of its borrowers and counterparties being unable to fulfil their payment obligations. While the Issuer analyses its exposure to such borrowers and counterparties on a regular basis, as well as its exposure to certain economic sectors and regions which the Issuer believe to be particularly critical, payment defaults may result from circumstances which are unforeseeable or difficult to predict. In addition, the security and collateral provided to the Issuer may be insufficient to cover its exposure, for instance, as a result of sudden depreciations in the market which dramatically reduce the value of collateral. As such, in case borrowers or other material counterparties fail to comply with their payment obligations to the Issuer, this would have a material adverse effect on each of the Issuer's financial condition and results of operations.

The Issuer is strongly dedicated to the management of credit risks and to the analysis of credit transactions. Credit portfolio management is an ongoing process that requires interaction between the various teams responsible for the management of risk during the consecutive stages of the credit process, with the purpose of improving risk control methodologies, risk assessment and control tools, as well as in procedures and decision circuits.

Notwithstanding the above, factors such as unexpected deterioration of global economic conditions, unexpected political events or a general lack of liquidity in economy may result in credit losses which exceed the amount of provisions of the Issuer or the maximum expected losses planned through the risk management procedures.

To the extent that the BPI Group transactions are mainly located in Portugal, Banco BPI, S.A. is particularly exposed to the risk of a general economic contraction or to another event affecting default rates in Portugal.

If the economic environment continues to weaken, unemployment continues to increase and interest rates start to rise sharply, the financial condition of Banco BPI customers and their ability to repay their loans may have a significant adverse effect on Banco BPI's financial condition and results of operations.

An increase in the BPI Group's provisions for losses resulting from defaulted loans or possible losses which exceed the amount of such provisions may have a significantly adverse effect on the Issuer.

Market Risk

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

Infrastructure Risk

The Issuer faces the risk that computer or telecommunications systems could fail, despite its efforts to maintain these systems in good working order. Given the high volume of transactions the Issuer

processes on a daily basis, certain errors may be repeated or compounded before they are discovered and successfully rectified. Shortcomings or failures of the Issuer's internal processes, employees or systems, including any of the Issuer's financial, accounting or other data processing systems, could lead to financial loss and damage to the Issuer's reputation. In addition, despite the contingency plans the Issuer has in place, the Issuer's ability to conduct business may be adversely affected by a disruption in the infrastructure that supports its operations and the communities in which it does business.

Operational Risk

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).

Legal risk is also included in the above definition. Legal risk represents the risk of losses arising from non-compliance with the regulations in force (due to inadequate document retention, failure to change processes as required by new legislation and/or differences in the interpretation of the law) 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, natural disasters or the failure of external systems such as, for example, those of the Issuer' suppliers or counterparties. Although the Issuer have implemented risk controls and loss mitigation actions, and substantial resources are devoted to developing efficient procedures and to staff training, it is not possible to implement procedures which are fully effective in controlling each of these operational risks.

Country Risk

The Issuer also faces country risk. Country risk is associated with the changes or specific turmoil of a political, economic or financial nature in those places where counterparties of the Issuer operate (or, more rarely, in a third country where the business transaction takes place), which do not permit full compliance with the contract, irrespective of the counterparties' will or capacity."

The individual evaluation of each country's risk is carried out with recourse to external ratings, external reports and in-house studies conducted by the Financial Department. Countries considered eligible for investment are required to be large emerging markets embracing market economy principles which are open to international trade and which have strategic importance within the context of international politics. Operations considered eligible are those involving the short-term financing of foreign trade, loans to certain multilateral banks, medium-term operations with political risk cover or which, due to their structuring, are not subject to transfer risk.

In the first quarter of 2010, this activity was concentrated in Brazil. The country-risk exposures also include international equity investments (BFA and BCI Mozambique).

Risks relating with market transactions on Banco BPI, S.A. own portfolio

Banco BPI, S.A. performs transactions in the market using its own portfolio, which includes the entering into interest rate derivative instruments, credit, equity markets and currency rates, as well as the sale and purchase of bonds and shares issued in the domestic and in the international markets and the performance of transactions in the primary and secondary public debt markets.

Transactions on Banco BPI, S.A.'s own portfolio involve a certain degree of risk. The future results of such transactions will mainly depend on market conditions, and Banco BPI, S.A. may incur losses which may negatively affect its financial condition and results.

At the end of June 2012, BPI had a consolidated portfolio of available-for-sale financial assets amounting to EUR 9,246.7 million. On that date, the portfolio of available-for-sale financial assets in the domestic operations' balance sheet totalled EUR 7,449.4 million.

Banco BPI has a policy of reviewing the status of its portfolio of available for sale financial assets every quarter, notably as regards the possible recognition of impairments. As a result of this periodical review the Bank may be forced to recognise losses in the income statement in the future.

Liquidity risk

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.

Impact of regulatory changes

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

If the BPI Group's financial condition were to deteriorate due to the above mentioned risks, investors in Public Sector Bonds may suffer direct and materially adverse consequences, including non-payment of principal and/or interests due under the Public Sector Bonds.

Portuguese Public Sector Bonds Legislation

The Public Sector Bonds Law was passed in 2006 and came into effect on 20th March 2006. The protection afforded to the holders of Public Sector Bonds by means of the special creditor privilege on the Cover Pool is based only on the Public Sector Bonds Law and it has not yet been judicially challenged.

Obligations under the Public Sector Bonds

The Public Sector Bonds will not represent an obligation or be the responsibility of the Arranger, the Common Representative, the Dealer or any person other than the Issuer. The Issuer will be liable solely in its corporate capacity for its obligations in respect of the Public Sector Bonds and such obligations will not be the obligations of its officers, members, directors, employees, security holders or incorporators.

Extended Maturity of the Public Sector Bonds

An Extended Maturity Date will, in principle, apply to all Series of the Public Sector Bonds, but may not be applicable if the rating provided by the rating agencies appointed by the Issuer at the relevant time in respect of the Programme is not adversely affected by such non applicability. 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.

Benefit of special creditor privilege (“*privilégio creditório especial*”)

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.

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.

Other Assets/Hedging Contracts

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% of the total value of the public sector credits and other eligible assets comprised in the Cover Pool. See *Characteristics of the Cover Pool*.

Hedging Contracts

Hedging contracts can be entered into exclusively to hedge risks such as interest rate risk, exchange rate risk and liquidity risk. 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*.

Amortisation of Public Sector Credits

Public Sector Credits which are included in the Cover Pool are and will be subject to amortisation of principal and payment of interest on a variable basis. They may also be subject to early repayment of principal 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.

No Due Diligence

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

The 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 of its own circumstances. In particular, each potential investor should:

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

Risks related to the structure of a particular issue of 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.

Basel Capital Requirements Directive

The Basel Committee has issued proposals for reform of the 1988 Capital Accord and has proposed a framework which places enhanced emphasis on market discipline and sensitivity to risk. At an EU level, the aforementioned revised framework has been addressed in Directives no. 2006/48/EC and no. 2006/49/EC both from the European Parliament and the Council and both dated 14 June 2006. Directive no. 2006/48/EC was then implemented into Portugal through Decree-Law no. 104/2007, dated 3 April 2007. The Issuer cannot predict the precise effects and impacts of the new framework on both its own financial performance and on the pricing of Public Sector Bonds issued under the Programme. Potential investors in the Public Sector Bonds should consult their own advisers as to the consequences for them of the enactment of this new framework.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income (the "**Directive**"), Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

The European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to

any Note as a result of the imposition of such withholding tax. The Issuer is required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the Directive.

Change of law

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

Bearer Public Sector Bonds where denominations involve integral multiples: Definitive Bearer Public Sector Bonds

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

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

The secondary market generally

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.

Interest rate risks

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

Public Sector 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. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

In general, European regulated investors are restricted under Regulation (EC) No. 1060/2009, as amended (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.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Public Sector Bonds are legal investments for it, (2) Public Sector Bonds can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Public Sector Bonds. 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.

Reliance upon Interbolsa procedures and Portuguese law

Investments in Public Sector Bonds will be subject to Interbolsa procedures and Portuguese law with respect to the following:

(a) Form and Transfer of the Public Sector Bonds

Public Sector Bonds held through accounts of Affiliate Members of Interbolsa will be represented in dematerialised book-entry form (“*forma escritural*”) and may be registered Public Sector Bonds (“*nominativas*”) or bearer Public Sector Bonds (“*ao portador*”).

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 Affiliate Members of Interbolsa 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 Affiliate Members of Interbolsa (which may include Euroclear and Clearstream, Luxembourg). The transfer of Public Sector Bonds and their beneficial interests will be made through Interbolsa.

(b) Payments on Public Sector Bonds

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

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

(c) Portuguese Tax Rules

Pursuant to Decree-Law 193/2005, of 7th November, 2005, as amended from time to time, investment income paid to non-resident holders of Public Sector Bonds, and capital gains derived from a sale or other disposition of such Bonds, will be exempt from Portuguese income tax only if certain documentation requirements are duly complied with.

If the Public Sector Bonds are held in an account with an international clearing system (such as Euroclear or Clearstream, Luxembourg), the management entity of such clearing system may not provide the necessary registration services in respect of the Public Sector Bonds, and, therefore, to be eligible for the exemption, the holders of the Public Sector Bonds are required to submit to the management entity of the relevant clearing system, by courier, hand delivery or mail (there is no procedure for electronic filing), on an annual basis:

- a certificate with the name of each beneficial owner, address, tax payer number (if applicable), the identity of the securities, the quantity held and also the reference to the legislation supporting the exemption or the waiver of Portuguese withholding tax; or
- a declaration that the beneficial owners are exempt from, or not subject to, Portuguese withholding tax.

The certificate and declaration forms are set forth in the Taxation section of this Prospectus.

The Issuer will not gross up payments in respect of any such withholding tax in case the conditions described in detail in *Taxation* below are not fully met, including failure to deliver or incorrect filling of the certificate or declaration referred to above. Accordingly, holders of Public Sector Bonds must seek their own advice to ensure that they comply with all procedures to ensure correct tax treatment of their Public Sector Bonds.

Other Risks

The past performance of Public Sector Bonds or other securities issued by the Issuer may not be a reliable guide to future performance of the Public Sector Bonds.

The Public Sector Bonds may fall as well as rise in value.

Income or gains from Public Sector Bonds may fluctuate in accordance with market conditions and taxation arrangements.

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

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

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 reports and audited consolidated financial statements of the Issuer in respect of the financial years ended December 31st, 2009, 31st December 2010, December 31st,2011 and of the financial half-year ended June 30th 2012, in each case together with the auditors' reports prepared in connection therewith;
- (b) the by-laws (including an English language translation thereof) of the Issuer (available at www.bancobpi.pt);
- (c) a description of the outside activities of the Board of Directors' members (included in the reports and audited consolidated financial statements of the Issuer referred to in (a) above);
- (d) Recapitalisation Plan and annexes (Portuguese version), approved by Shareholder's General Meeting on 27 June 2012 (*which is available through the following CMVM web site link: <http://web3.cmvm.pt/sdi2004/emitentes/docs/CONV40226.pdf>*);
- (e) Terms and Conditions of € 1,500,000,000 Government Subscribed Core Tier 1 capital instruments (contingent convertible subordinated bonds) which has been approved by Order (*Despacho*) 8840-A/2012, of the Portuguese Minister of State and Finance, published in the 2nd Series of Portuguese official gazette, of 3 July 2012.

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 16 of the Prospectus Directive, Article 22/7 of the Prospectus Regulation and Article 135-C/3 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, Porto and from the specified offices of the Agent at Rua Tenente Valadim, no. 284, Porto and of the Common Representative at 55 Moorgate London EC2R 6PA.

This Base Prospectus and the documents incorporated by reference can be obtained from the website of the CMVM, being www.cmvm.pt, except for the by-laws of the Issuer which can be obtained from www.bancobpi.pt.

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

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FORM OF THE PUBLIC SECTOR BONDS AND CLEARING SYSTEMS

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

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

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

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

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

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

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

The 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 except in accordance with Regulation S (see *Subscription and Sale* and *Secondary Market Arrangements*). Accordingly, the Public Sector Bonds will only be issued outside the United States in reliance upon Regulation S under the Securities Act.

Public Sector Bonds held through Interbolsa

General

Public Sector Bonds must be held through Interbolsa when the relevant issue is to be admitted to trading in a Portuguese regulated market (in particular, Euronext Lisbon).

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., 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, physical settlement takes place on the third Business Day after the trade date and is provisional until the financial settlement that takes place at the Bank of Portugal on the Final Settlement Date.

Form of the Public Sector Bonds held through Interbolsa

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

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.

Payment of principal and interest in respect of Public Sector Bonds held through Interbolsa

Whilst the Public Sector Bonds are held through Interbolsa, 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 relevant Paying Agent (acting on behalf of the Issuer) to the payment current-accounts held in the payment system of the Bank of Portugal by the Interbolsa Participants whose control accounts with Interbolsa are credited with such 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 through Euroclear and Clearstream, Luxembourg to the accounts with Euroclear

and Clearstream, Luxembourg of the beneficial owners of those Public Sector Bonds, in accordance with the rules and procedures of Interbolsa, Euroclear or Clearstream, Luxembourg, as the case may be.

The Issuer must provide Interbolsa with a prior notice of all payments in relation to 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 Affiliate Members of Interbolsa. 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 held through Interbolsa may, subject to compliance with all applicable rules, restrictions and requirements of Interbolsa and Portuguese law, be transferred to a person who wishes to hold such 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. Transfers of Public Sector Bonds represented by a Global Public Sector Bond within Interbolsa (if applicable) will be effected in accordance with the customary rules and operating procedures of Interbolsa applicable to book-entry securities.

Public Sector Bonds held through Euroclear and/or Clearstream, Luxembourg

The Public Sector Bonds of each Series held through Euroclear and/or Clearstream, Luxembourg will be in bearer form, with or without interest coupons attached, or, except when Public Sector Bonds are issued in NGN form, in registered form, without interest coupons attached. 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 except in accordance with Regulation S (see *Subscription and Sale* and *Secondary Market Arrangements*). Accordingly, the Public Sector Bonds will only be issued outside the United States in reliance upon Regulation S under the Securities Act.

Bearer Public Sector Bonds held through Euroclear and/or Clearstream, Luxembourg

Each Tranche of Bearer Public Sector Bonds will be issued in the form of either a temporary bearer global public sector bond (a “**Temporary Bearer Global Public Sector Bond**”) or a permanent bearer global public sector bond (a “**Permanent Bearer Global Public Sector Bond**”) as indicated in the applicable Final Terms, which, in either case, will:

- (i) if the Global Public Sector Bonds are intended to be issued in NGN form, as stated in the applicable Final Terms, these should be delivered on or prior to the original issue date of the Tranche to the Common Safekeeper (as defined below); and
- (ii) if the Global Public Sector Bonds are not intended to be issued in NGN form, be delivered, on or prior to the original issue date of such Tranche, to a common depository (the “**Common Depository**”) for Euroclear and/or Clearstream.

Whilst any Bearer Public Sector Bond is represented by a Temporary Bearer Global Public Sector Bond and held through Euroclear and/or Clearstream, Luxembourg, payment of principal, interest (if any) and any other amount payable in respect of such Public Sector Bond due prior to the Exchange Date (as defined below) will be made (against presentation of the Temporary Bearer Global Public Sector Bond if

the Temporary Bearer Public Sector Bond is not intended to be issued in NGN form) only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in such Public Sector Bond are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, have been received by Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Agent.

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

Payments of principal, interest (if any) or any other amounts on a Permanent Bearer Global Public Sector Bond will be made, according to the applicable legal and regulatory requirement through Euroclear and/or Clearstream, Luxembourg (against presentation or surrender, as the case may be, of the Permanent Bearer Global Public Sector Bond if the Temporary Bearer Public Sector Bond is not intended to be issued in NGN form) without any requirement for certification.

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

For these purposes, Exchange Event means in the case of the Public Sector Bonds that the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available. The Issuer will promptly give notice to holders of Public Sector Bonds in accordance with Condition 11 (*Notices*) of the Terms and Conditions of the Public Sector Bonds, as the case may be, if an Exchange Event occurs. In the event of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (as the case may be) (acting on the instructions of any holder of an interest in such Permanent Bearer Global Public Sector Bond) may give notice to the Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Agent.

The following legend will appear on all Public Sector Bonds once all of them shall have an original maturity of more than 365 days and on all receipts and interest coupons relating to such Public Sector Bonds.

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

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

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

Registered Public Sector Bonds held through Euroclear and/or Clearstream, Luxembourg

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

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

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

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

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

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

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

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

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

Public Sector Bonds issued in the NGN form

On June 13th, 2006 the European Central Bank (the “**ECB**”) announced that the so-called New Global Note (NGN) arrangement for international debt securities was in compliance with the “Standards for the use of EU securities settlement systems in ESCB credit operations” of the central banking system for the Euro (the “**Eurosystem**”), provided that certain other criteria are fulfilled. At the same time, the ECB also announced that the NGN arrangement will be offered by Euroclear and Clearstream, Luxembourg as of June 30th, 2006 and that debt securities in global bearer form issued through Euroclear and Clearstream, Luxembourg after December 31st, 2006 will only be eligible as collateral for Eurosystem operations if the NGN form is used.

If the Public Sector Bonds are stated in the applicable Final Terms to be issued in NGN form, they are intended to be eligible collateral for Eurosystem monetary policy and will be delivered on or prior to the original issue date of the Tranche to a common safekeeper for Euroclear and/or Clearstream (the “**Common Safekeeper**”). Depositing the Public Sector Bonds with the Common Safekeeper 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.

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

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

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 [●]

Banco BPI, S.A.

Issue of [*Aggregate Nominal Amount of Tranche*] [[●]%/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 2006 (AS AMENDED, 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 19 June 2008, as supplemented on June 25th, 2009, on August 19th, 2010, on November 4th, 2010, on 17th October 2012 and on 21ST December 2012 which constitutes a base prospectus for the purposes of Directive no. 2003/71/EC, of the European Parliament and of the Council of 4th November 2003 (the “**Prospectus Directive**”), of the Commission Regulation (EC) no. 809/2004 (the “**Prospectus Regulation**”) and of Decree-Law no. 486/99, of 13 November 1999 (as amended from time to time, the “**Portuguese Securities Code**”). The Terms and Conditions are incorporated by reference into or endorsed upon (as applicable) in each Public Sector Bond described herein, as applicable. This document constitutes the Final Terms of the Public Sector Bonds described herein for the purposes of Article 135-C.3 of the Portuguese Securities Code, which implemented Article 5.4 of the Prospectus Directive and must be read in conjunction with such Base Prospectus dated June 19th, 2008, as Supplemented on June 25th, 2009 and on August 19th, 2010. The Base Prospectus dated 19th June 2008, as Supplemented on 25th June 2009 on 19 August 2010 on November 4th, 2010, on 17th October 2012 and on 21ST December 2012 are available for viewing at Banco BPI, S.A., Rua Tenente Valadim, no. 284, Porto, and www.bancobpi.pt and copies may be obtained from the same address. Copies of the Base Prospectus dated 19th June 2008, as Supplemented on June 25th, 2009 and on August 19th, 2010, on November 4th, 2010 on 17th October 2012 and on 21ST December 2012 are available for viewing at www.cmvm.pt.

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

“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 June 19th, 2008, as supplemented on June 25th, 2009, on August 19th, 2010, on November 4th, 2010 on 17th October 2012 and on 21ST December 2012. The Terms and Conditions are incorporated by reference into or endorsed upon (as applicable) in each Public Sector Bond described herein, as applicable. This document constitutes the Final Terms of the Public Sector Bonds described herein for the purposes of Article 135-C.3. of the Portuguese Securities Code, which implemented Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus dated June 19th, 2008 as supplemented on June 25th, 2009 on August 19th, 2010, on

November 4th, 2010 on 17th October 2012 and on 21ST December 2012, which constitutes a base prospectus for the purposes of the Prospectus Directive, save in respect of the Terms and Conditions which are extracted from the Base Prospectus dated June 19th, 2008 as supplemented on June 25th, 2009, on August 19th, 2010, on November 4th, 2010 on 17th October 2012 and on 21ST December 2012 are attached hereto. 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 dated June 19th, 2008, as supplemented June 25th, 2009 on August 19th, 2010, on November 4th, 2010 on 17th October 2012 and on 21ST December 2012. The Base Prospectus dated June 19th, 2008, as Supplemented on June 25th, 2009, August 19th, 2010, on November 4th, 2010 on 17th October 2012 and on 21ST December 2012 are available for viewing at Banco BPI, S.A., Rua Tenente Valadim, no. 284, Porto www.bancobpi.pt and www.cmvm.pt and copies may be obtained from the same address.

[Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or subparagraphs. 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.]

1	Issuer:	Banco BPI, S.A.
2	(i) Series Number:	[●]
	(ii) [Tranche Number:	[●]
		<i>(If fungible with an existing Series, details of that Series, including the date on which the Public Sector Bonds become fungible.)</i>
3	Specified Currency or Currencies:	[●]
4	(i) Aggregate Nominal Amount of Public Sector Bonds:	
	1. Series:	[●]
	2. [Tranche:	[●]]
	(ii) Specify whether Public Sector Bonds to be admitted to trading	[Yes (if so, specify each Series/Tranche)/No]
5	(i) Issue Price:	[●]% of the Aggregate Nominal Amount [plus accrued interest from [insert date] (in the case of fungible issues only, if applicable)]
6	(ii) [Net Proceeds (Required only for listed issues)]	[●]]
7	Specified Denominations:	[●] [any Public Sector Bonds, distributed to the public or admitted to trading on a regulated market, will always be issued in a denomination per unit not lower than €100,000]
8	(i) Issue Date:	[●]
	(ii) [Interest Commencement Date (if different from the Issue Date):	[●]]
9	Maturity Date:	<i>[specify date or (for Floating Rate Public Sector Bonds) Interest Payment Date falling in or nearest to the relevant month and year]</i>
10	Extended Maturity Date:	[Applicable/Not Applicable] [insert date] <i>[If applicable, the date should be that falling one year after the Maturity Date. If not applicable, insert “Not Applicable”].</i> <i>[Unless the rating provided by the rating agencies</i>

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.]

- 11 Interest Basis:
- (i) Period to (and including) Maturity Date: % Fixed Rate
 [specify reference rate] +/- % Floating Rate
 Zero Coupon
 Index Linked Interest
 Other (specify)
(further particulars specified below)
- 12 (ii) Period from (but excluding) Maturity Date up to (and including) Extended Maturity Date: [Not Applicable] /
 % Fixed Rate
 [specify reference rate] +/- % Floating Rate
 Other (specify)
(further particulars specified below)
- [Insert "Not Applicable" only if Extended Maturity Date does not apply]*
- 13 Redemption/Payment Basis: Redemption at par
 Index Linked Redemption
 Instalment
 Other (specify)
(N.B. If the Final Redemption Amount is other than 100% of the nominal value the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.)
- 14 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]
- 15 Put/Call Options: Investor Put
 Issuer Call
 [(further particulars specified below)]
- 16 (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.
- 17 (ii) [Date [Board] approval for issuance of Public Sector Bonds obtained]:
- 18 Method of distribution: [Syndicated/Non-syndicated]
- 19 Listing/Admission to Regulated Market [Euronext Lisbon /specify other /None]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

- 20 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 annum [payable [annually/semi-annually/quarterly] in arrear]
 - From Maturity Date up to Extended Maturity Date: [Not Applicable]/ [●]% 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]*]

		<i>[State “Not Applicable” unless Extended Maturity Date applies and the Public Sector Bonds are Fixed Rate Public Sector Bonds after the Maturity Date.]</i>
	(vi) Determination Date(s):	
	• To Maturity Date:	<i>[Insert day(s) and month(s) on which interest is normally paid (if more than one, then insert such dates in the alternative)] in each year</i>
	• From Maturity Date up to Extended Maturity Date:	<i>[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</i> <i>[State “Not Applicable” unless Extended Maturity Date applies and the Public Sector Bonds are Fixed Rate Public Sector Bonds after the Maturity Date.]</i>
	(vii) Other terms relating to the method of calculating interest for Fixed Rate Public Sector Bonds:	<i>[None/give details]</i>
21	Floating Rate Public Sector Bonds Provisions	
	• To Maturity Date:	<i>[Applicable/Not Applicable] (If not applicable, delete the remaining subparagraphs of this paragraph.)</i>
22	• From Maturity Date up to Extended Maturity Date:	<i>[Applicable/Not Applicable] (If not applicable, delete the remaining subparagraphs of this paragraph.)</i> <i>[State “Not Applicable” unless Extended Maturity Date applies and the Public Sector Bonds are Floating Rate Public Sector Bonds after the Maturity Date.]</i>
	(i) Specified Period(s)/Specified Interest Payment Dates:	
	• To Maturity Date:	<i>[•]</i>
23	• From Maturity Date up to Extended Maturity Date:	<i>[Not Applicable]/[•]</i> <i>[State “Not Applicable” unless Extended Maturity Date applies and the Public Sector Bonds are Floating Rate Public Sector Bonds after the Maturity Date.]</i>
	(ii) Business Day Convention:	
	• To Maturity Date:	<i>[Floating Rate Convention/ Following Business Day Convention/ Modified Following Business Day Convention/Preceding Business Day Convention/other (give details)]</i>
24	• From Maturity Date up to Extended Maturity Date:	<i>[Not Applicable]/[Floating Rate Convention/ Following Business Day Convention/ Modified Following Business Day Convention/Preceding Business Day Convention/other (give details)]</i> <i>[State “Not Applicable” unless Extended Maturity Date applies and the Public Sector Bonds are Floating Rate Public Sector Bonds after the Maturity Date.]</i>
	(iii) Additional Business Centre(s):	
	• To Maturity Date:	<i>[•]</i>

25	<ul style="list-style-type: none"> • From Maturity Date up to Extended Maturity Date: 	<p>[Not Applicable]/ [●]</p> <p><i>[State “Not Applicable” unless Extended Maturity Date applies and the Public Sector Bonds are Floating Rate Public Sector Bonds after the Maturity Date.]</i></p>
	<p>(iv) Manner in which the Rate of Interest and Interest Amount is to be determined:</p> <ul style="list-style-type: none"> • To Maturity Date: 	<p>[Screen Rate Determination/ISDA Determination/other (give details)]</p>
26	<ul style="list-style-type: none"> • From Maturity Date up to Extended Maturity Date: 	<p>[Not Applicable]/ [Screen Rate Determination/ISDA Determination/other (give details)]</p> <p><i>[State “Not Applicable” unless Extended Maturity Date applies and the Public Sector Bonds are Floating Rate Public Sector Bonds after the Maturity Date.]</i></p>
	<p>(v) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Calculation Agent):</p> <ul style="list-style-type: none"> • To Maturity Date: 	<p>[●]</p>
27	<ul style="list-style-type: none"> • From Maturity Date up to Extended Maturity Date: 	<p>[Not Applicable]/ [●]</p> <p><i>[State “Not Applicable” unless Extended Maturity Date applies and the Public Sector Bonds are Floating Rate Public Sector Bonds after the Maturity Date.]</i></p>
	<p>(vi) Screen Rate Determination:</p> <ul style="list-style-type: none"> • To Maturity Date: <ul style="list-style-type: none"> • Reference Rate: • Interest Determination Date: • Relevant Screen Page: 	<p>[●]</p> <p>[●] (<i>Second London business day prior to start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day of on which the TARGET System is open prior to the start of each Interest Period if Euribor or euro LIBOR</i>)</p> <p>[●] (<i>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</i>)</p>
	<ul style="list-style-type: none"> • From Maturity Date up to Extended Maturity Date: <ul style="list-style-type: none"> • Reference Rate: • Interest Determination Date: 	<p>[Not Applicable]</p> <p><i>[State “Not Applicable” unless Extended Maturity Date applies and the Public Sector Bonds are Floating Rate Public Sector Bonds after the Maturity Date.]</i></p> <p>[●]</p> <p>[●] (<i>Second London business day prior to start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day of on which the TARGET System is open prior to the start of each Interest Period if Euribor or euro LIBOR</i>)</p>

	<ul style="list-style-type: none"> Relevant Screen Page: 	[●] (<i>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</i>)
	(vii) ISDA Determination:	
	(a) To Maturity Date:	
	<ul style="list-style-type: none"> Floating Rate Option: Designated Maturity: Reset Date: 	[●] [●] [●]
	(b) From Maturity Date up to Extended Maturity Date:	[Not Applicable] <i>[State “Not Applicable” unless Extended Maturity Date applies and the Public Sector Bonds are Floating Rate Public Sector Bonds after the Maturity Date.]</i>
	<ul style="list-style-type: none"> Floating Rate Option: Designated Maturity: Reset Date: 	[●] [●] [●]
	(viii) Margin(s):	
28	<ul style="list-style-type: none"> To Maturity Date: From Maturity Date up to Extended Maturity Date: 	[+/-] [●]% Per annum [Not Applicable]/ [+/-] [●]% per annum <i>[State “Not Applicable” unless Extended Maturity Date applies and the Public Sector Bonds are Floating Rate Public Sector Bonds after the Maturity Date.]</i>
	(ix) Minimum Rate of Interest:	
29	<ul style="list-style-type: none"> To Maturity Date: From Maturity Date up to Extended Maturity Date: 	[●]% per annum [Not Applicable]/ [●]% per annum <i>[State “Not Applicable” unless Extended Maturity Date applies and the Public Sector Bonds are Floating Rate Public Sector Bonds after the Maturity Date.]</i>
	(x) Maximum Rate of Interest:	
30	<ul style="list-style-type: none"> To Maturity Date From Maturity Date up to Extended Maturity Date: 	[●]% per annum [Not Applicable]/ [●]% per annum <i>[State “Not Applicable” unless Extended Maturity Date applies and the Public Sector Bonds are Floating Rate Public Sector Bonds after the Maturity Date.]</i>
	(xi) Day Count Fraction:	
	<ul style="list-style-type: none"> To Maturity Date 	[Actual/Actual (ISDA) Actual/365 (Fixed) Actual/365 (Sterling) Actual/360 30/360 30E/360 30E/360 (ISDA) Other]
31	<ul style="list-style-type: none"> From Maturity Date up to 	(see Condition 4 (<i>Interest</i>) for alternatives) [Not Applicable]/

	Extended Maturity Date:	[Actual/365 Actual/365 (Fixed) Actual/365 (Sterling) Actual/360 30/360 30E/360 Other] (see Condition 4 (<i>Interest</i>) for alternatives) [State “Not Applicable” unless Extended Maturity Date applies and the Public Sector Bonds are Floating Rate Public Sector Bonds after the Maturity Date.]
	(xii) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Public Sector Bonds, if different from those set out in the Terms and Conditions:	
	• To Maturity Date	[●]
32	• 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.]
33	Index Linked Public Sector Bonds Provisions	
	• To Maturity Date:	[Applicable/Not Applicable] (<i>If not applicable, delete the remaining subparagraphs of this paragraph</i>)
34	• From Maturity Date up to Extended Maturity Date:	[Applicable/Not Applicable]/ [●] [State “Not Applicable” unless Extended Maturity Date applies and the Public Sector Bonds are Index Linked Public Sector Bonds after the Maturity Date.]
35	(i) Index/Formula:	
	• To Maturity Date:	[Give or annex details]
36	• From Maturity Date up to Extended Maturity Date:	[Not Applicable/Give or annex details] [State “Not Applicable” unless Extended Maturity Date applies and the Public Sector Bonds are Index Linked Public Sector Bonds after the Maturity Date.]
37	(ii) Calculation Agent responsible for calculating the interest due:	
	• To Maturity Date:	[●]
38	• From Maturity Date up to Extended Maturity Date:	[Not Applicable/[●]] [State “Not Applicable” unless Extended Maturity Date applies and the Public Sector Bonds are Index

Linked Public Sector Bonds after the Maturity Date.]

- 39 (iii) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable:
- To Maturity Date: [●]
- 40 • From Maturity Date up to Extended Maturity Date: [Not Applicable/[●]]
[State “Not Applicable” unless Extended Maturity Date applies and the Public Sector Bonds are Index Linked Public Sector Bonds after the Maturity Date.]
- (iv) Specified Period(s):
- To Maturity Date: [●]
- 41 • From Maturity Date up to Extended Maturity Date: [Not Applicable/[●]]
[State “Not Applicable” unless Extended Maturity Date applies and the Public Sector Bonds are Index Linked Public Sector Bonds after the Maturity Date.]
- (v) Specified Interest Payment Dates:
- To Maturity Date: [●]
- 42 • From Maturity Date up to Extended Maturity Date: [Not Applicable/[●]]
[State “Not Applicable” unless Extended Maturity Date applies and the Public Sector Bonds are Index Linked Public Sector Bonds after the Maturity Date.]
- (vi) Business Day Convention:
- To Maturity Date: [Floating Rate Convention/ Following Business Day Convention/ Modified Following Business Day Convention/Preceding Business Day Convention/other (give details)]
- 43 • 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 Index Linked Public Sector Bonds after the Maturity Date.]
- (vii) Additional Business Centre(s)
- To Maturity Date: [●]
- 44 • From Maturity Date up to Extended Maturity Date: [Not Applicable/[●]]
[State “Not Applicable” unless Extended Maturity Date applies and the Public Sector Bonds are Index Linked Public Sector Bonds after the Maturity Date.]
- (viii) Minimum Rate of Interest:
- To Maturity Date: [●]% per annum
- 45 • From Maturity Date up to [Not Applicable/[●]% per annum]

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

PROVISIONS RELATING TO REDEMPTION

49	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

		<i>intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent)</i>
50	Put Option	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining subparagraphs of this paragraph)</i>
	(i) Optional Redemption Date(s):	[●]
	(ii) Optional Redemption Amount(s) of each Public Sector Bond and method, if any, of calculation of such amount(s):	[●] per Public Sector Bond of [●] Specified Denomination
	(iii) Notice period:	[●] <i>(NB – If setting notice periods which are different to those provided in the Terms and Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent)</i>
51	Final Redemption Amount of each Public Sector Bond	[[●] per Public Sector Bond of [●] Specified Denomination/Other/See Appendix]
52	[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 (<i>Redemption and Purchase</i>))]	[Applicable/Not Applicable]

GENERAL PROVISIONS APPLICABLE TO THE PUBLIC SECTOR BONDS

53	(a) Form of Public Sector Bonds:	[Bearer Public Sector Bonds/Exchangeable Bearer Public Sector Bonds/Registered Public Sector Bonds] <i>[Delete as appropriate]</i> [Temporary Global Public Sector Bond/Certificate exchangeable for a permanent Global Public Sector Bond/ Certificate which is exchangeable for Definitive Public Sector Bonds/Certificates on [●] days' notice/at any time/in the limited circumstances specified in the permanent Global Public Sector Bond/Certificate] [Temporary Global Public Sector Bond/Certificate exchangeable for Definitive Public Sector Bonds/ Certificates on [●] days' notice] [Permanent Global Public Sector Bond/Certificate exchangeable for Definitive Public Sector Bonds/ Certificates on [●] days' notice/at any time/in the limited circumstances specified in the Permanent Global Public Sector Bond/ Certificate]
54	(b) New Global Notes:	[Yes/No]
55	Additional Financial Centre(s) or other special provisions relating to Payment Dates:	[Not Applicable/ <i>give details</i>] <i>(Note that this item relates to the place of payment and not Interest Period end dates to which item 17 (iii) relates)</i>

56	Talons for future Coupons or Receipts to be attached to Definitive Public Sector Bonds (and dates on which such Talons mature):	[Yes/No. <i>If yes, give details</i>]
57	Details relating to Partly Paid Public Sector Bonds: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Public Sector Bonds and interest due on late payment:	[Not Applicable/ <i>give details</i>]
58	Details relating to Instalment Public Sector Bonds:	[Not Applicable/ <i>give details</i>]
	(i) Instalment Amount(s):	[Not Applicable/ <i>give details</i>]
	(ii) Instalment Date(s):	
59	Redenomination applicable:	[Applicable/Not Applicable] (<i>if Redenomination is applicable, specify the terms of the redenomination in an Annex to the Final Terms</i>)
60	Other final terms:	[Not Applicable/ <i>give details</i>] (<i>When adding on any other final terms consideration should be given as to whether such terms constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.</i>)
61		[<i>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.</i>]

DISTRIBUTION

62	(i) If syndicated, names of Dealers:	[Not Applicable/ <i>give names and date of relevant agreement</i>]
	(ii) Stabilising Manager (if any):	[Not Applicable/ <i>give names</i>]
	(iii) Commission Payable / Selling Concession:	[•]
63	If non-syndicated, name of relevant Dealer:	[Not Applicable/ <i>give name and date of relevant agreement</i>]
64	Whether TEFRA D or TEFRA C rules applicable or TEFRA rules not applicable:	[TEFRA D/TEFRA C/TEFRA not applicable]]
65	Additional selling restrictions:	[Not Applicable/ <i>give details</i>]

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 is responsible 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 [specific source], no facts have been omitted which would render the reproduced information inaccurate or misleading.

Signed on behalf of the Issuer:

By:
Duly authorised

PART B – OTHER INFORMATION

1 Listing

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

2 Ratings

- 67 Ratings: The Public Sector Bonds to be issued have been rated:
[S & P: [●]]
[other Rating Agencies: [●]]
[●]
(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.)
- [[Insert credit rating agency] is established in the European Union and has applied for registration under Regulation (EC) no. 1060/2009, as amended, although notification of the corresponding registration decision has not yet been provided by the relevant competent authority.]*
- [[Insert credit rating agency] is established in the European Union and is registered under Regulation (EC) no. 1060/2009, as amended.]*
- [[Insert credit rating agency] is not established in the European Union and is not registered in accordance with Regulation (EC) no. 1060/2009, as amended, therefore that credit ratings couldn't be used for regulation proposals.]*
- [[Insert credit rating agency] is not established in the European Union and has not applied for*

registration under Regulation (EC) no. 1060/2009, as amended. However, the application for registration under Regulation (EC) no. 1060/2009, as amended of [insert the name of the relevant EU CRA affiliate that applied for registration], which is established in the European Union, disclosed the intention to endorse credit ratings of [insert credit rating agency].]

[[Insert credit rating agency] is not established in the European Union and has not applied for registration under Regulation (EC) no. 1060/2009, as amended. The ratings [[have been]/[are expected to be]] endorsed by [insert the name of the relevant EU-registered credit rating agency] in accordance with Regulation (EC) no. 1060/2009, as amended. [Insert the name of the relevant EU-registered credit rating agency] is established in the European Union and registered under Regulation (EC) no. 1060/2009, as amended.]

[[Insert credit rating agency] is not established in the European Union but it is certified in accordance with such Regulation.]

3 [Notification]

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

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

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

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

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

[(i) Reasons for the offer

[•]

(See USE OF PROCEEDS] wording in Base Prospectus – if reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here.)]

[(ii) Estimated net proceeds

[•]

(If proceeds are intended for more than one use will

need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.)

[(iii)] Estimated total expenses: [●]

6 [YIELD - Fixed Rate Public Sector Bonds only]

Indication of yield: [●]

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

7 Operational Information

ISIN Code: [●]

Common Code: [●]

Any clearing system(s) other than Interbolsa - [Not Applicable/give *name(s)* and *number(s)*]

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

Delivery: Delivery [against/free of] payment

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

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

[Note that the designation “yes” simply means that the Public Sector Bonds are intended upon issue to be (i) deposited with one of Euroclear and/or Clearstream Luxembourg as common safekeeper or (ii) registered with Interbolsa – Sociedade Gestora de Sistemas de Liquidação e de Sistemas Centralizados de Valores Mobiliários, S.A. in its capacity as a securities settlement system, and does not necessarily mean that the 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.][*include this text if “yes” selected in which case , if intended upon issue to be deposited with one of Euroclear and/or Clearstream Luxembourg as common safekeeper the Public Sector Bonds must be issued in NGN form*]

TERMS AND CONDITIONS OF THE PUBLIC SECTOR BONDS

The following are the Terms and Conditions of the Public Sector Bonds which will be incorporated by reference into, or endorsed upon, each Public Sector Bond, including any Global Public Sector Bond (as defined below) and each Definitive Public Sector Bond (if applicable), in the latter case only if permitted by the relevant stock exchange (if any) and agreed by the Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such Definitive Public Sector Bond will have endorsed thereon or attached thereto such Terms and Conditions. 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 Bond 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 the Agency and Payments Procedures (as defined below).

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

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

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 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, agent bank and/or registrar appointed by the Issuer.

Interest bearing Definitive Bearer Public Sector Bonds have interest coupons (“**Coupons**”) and, if indicated in the applicable Final Terms, talons for further Coupons (“**Talon**”) attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Definitive Bearer Public Sector Bonds repayable in instalments have receipts (“**Receipts**”) for the payment of the instalments of principal (other than the final

instalment) attached on issue. Registered Public Sector Bonds and Global Public Sector Bonds do not have Coupons, Receipts or Talons attached on issue.

Any reference to “**holders of Public Sector Bonds**” shall mean, in the case of Public Sector Bonds held through Interbolsa, the person or entity registered as such in the relevant securities account. In the case of Bearer Public Sector Bonds, “**holders of Public Sector Bonds**” shall mean the holders of such Public Sector Bonds and, in the case of Registered Public Sector Bonds, the persons in whose name the Public Sector Bonds are registered and shall, in relation to any Public Sector Bonds represented by a Global Public Sector Bond, be construed as provided below. Any reference herein to “**Receiptholders**” shall mean the holders of Receipts. Any reference herein to “**Couponholders**” shall mean the holders of the Coupons and shall, unless the context otherwise requires, include the holders of the Talons.

As used herein, “**Tranche**” means 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 each of the Paying Agents and the Registrar (such Paying Agents and the Registrar being together referred to as the “**Agents**”). Copies of the applicable Final Terms are obtainable at the CMVM website – www.cmvm.pt – and during normal business hours at the specified office of each of the Agents save that, if these Public Sector Bonds are unlisted, the applicable Final Terms will only be obtainable at the specified office of each of the Agents by a holder holding one or more unlisted 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, the Receiptholders and the Couponholders 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 and/or Receipts and/or Coupons as applicable;
- (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;

- (e) those mutilated or defaced Public Sector Bonds which have been surrendered and cancelled and in respect of which replacements have been issued pursuant to these Terms and Conditions;
- (f) (for the purpose only of ascertaining the principal amount of the 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, stolen or destroyed and in respect of which replacements have been issued under these Terms and Conditions;
- (g) (if applicable) a Temporary Global Public Sector Bond to the extent that it has been duly exchanged for the relevant Permanent Global Public Sector Bond and a Permanent Global Public Sector Bond to the extent that it has been exchanged for the Definitive Bearer Public Sector Bond in each case under its provisions; and
- (h) (if applicable) any Registered Global Public Sector Bond to the extent that it has been exchanged for Definitive Registered Public Sector Bonds and any Definitive Registered Public Sector Bond to the extent that it has been exchanged for an interest in a Registered Global Public Sector Bond.

1. FORM, DENOMINATION AND TITLE

The Public Sector Bonds are in bearer or, except when issued in NGN, in registered form as specified in the applicable Final Terms and, in the case of Definitive Public Sector Bonds, serially numbered, in the Specified Currency and the Specified Denomination(s). Public Sector Bonds of one Specified Denomination may not be exchanged for Public Sector Bonds of another Specified Denomination and Bearer Public Sector Bonds may not be exchanged for Registered Public Sector Bonds and *vice versa*.

The Public Sector Bonds held through Interbolsa will be in book-entry form 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. 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.

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

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

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

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

Where the applicable Final Terms specifies that an Extended Maturity Date applies to a Series of Public Sector Bonds, those Public Sector Bonds may be Fixed Rate Public Sector Bonds, Floating Rate Public Sector Bonds or Index Linked Public Sector Bonds in respect of the period from the Issue Date to and including the Maturity Date and Fixed Rate Public Sector Bonds, Floating Rate Public Sector Bonds or Index Linked 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 denomination per unit equal to or higher than € 1,000 (or its equivalent in other currency) as specified in the relevant Final Terms, provided that, any Public Sector Bonds, distributed to the public or admitted to trading in a regulated market, will always be issued in a denomination per unit not lower than € 100,000 (or its equivalent in other currency).

Subject as set out below, title to the Bearer Public Sector Bonds, Receipts and Coupons will pass by delivery and title to Registered Public Sector Bonds will pass upon registration of transfers in accordance with the provisions of the Agency and Payments Procedures. The Issuer, the Paying Agents and the Common Representative will (except as otherwise required by law) deem and treat the bearer of any Bearer Public Sector Bond, Receipt or Coupon and the registered holder of any Registered Public Sector Bond as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Public Sector Bond, without prejudice to the provisions set out in the next succeeding paragraph.

2. TRANSFERS OF PUBLIC SECTOR BONDS

The transferability of the Public Sector Bonds is not restricted.

Public Sector Bonds held through Interbolsa may, subject to compliance with all applicable rules, restrictions and requirements of Interbolsa and Portuguese law, be transferred to a person who wishes to hold such 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. Transfers of Public Sector Bonds represented by a Global Public Sector Bond within Interbolsa (if applicable) will be effected in accordance with the customary rules and operating procedures of Interbolsa applicable to book-entry securities.

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

Any reference herein to Interbolsa, Euroclear or Clearstream, Luxembourg shall, wherever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms. The holders of 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, any interest thereon and any relative Coupons, if applicable, constitute direct, unconditional, unsubordinated and secured obligations of the Issuer and rank *pari passu* without any preference among themselves. The 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 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:

- (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:
 - 1. the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

- 2.the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
- (ii) if “**30/360**” is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.

In these Terms and Conditions:

- (i) “**Determination Period**” means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date); and
- (ii) “**Principal Amount Outstanding**” means in respect of a 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.
- (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 and Index Linked Interest Public Sector Bonds

(A) Interest Payment Dates

Each Floating Rate Public Sector Bond and Index Linked Interest 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 arrear on either:

- (i) the Specified Interest Payment Date(s) in each year specified in the applicable Final Terms; or
- (ii) if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each such date, together with each Specified Interest Payment Date, an “**Interest Payment Date**”) which falls the number of months or other period specified as the Specified Period in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period (which expression shall, in these Terms and Conditions, mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date).

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

- (i) in any case where Specified Periods are specified in accordance with Condition 4.2.(ii) above, the Floating Rate Convention (as specified in the applicable Final Terms), such Interest Payment Date (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (B) below shall apply *mutatis mutandis* or (ii) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (A) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (B) each subsequent Interest Payment

Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or

- (ii) the Following Business Day Convention (as specified in the applicable Final Terms), such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (iii) the Modified Following Business Day Convention (as specified in the applicable Final Terms), such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (iv) the Preceding Business Day Convention, 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.

- (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 Euro-zone inter-bank offered rate (EURIBOR) for a currency, the first day of that Interest Period, or (B) in any other case, as specified in the applicable Final Terms.

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

(ii) *Screen Rate Determination for Floating Rate 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 specifies a Calculation Agent, the Calculation Agent so specified. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Agent for the purpose of determining the arithmetic mean (rounded as provided above) or, as applicable, the relevant Calculation Agent, of such offered quotations.

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

If the Reference Rate from time to time in respect of Floating Rate 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.

Index Linked Interest Public Sector Bonds

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

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

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

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

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

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

The Agent or, where the applicable Final Terms specifies a Calculation Agent, the Calculation Agent so specified, will calculate the amount of interest payable on the Floating Rate Public Sector Bonds or Index Linked Interest 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:

"Y₁" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y₂" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M₁" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M₂" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D₁" is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D₁ will be 30; and

"D₂" 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 D₁ is greater than 29, in which case D₂ 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:

"Y₁" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y₂" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M₁" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M₂" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D₁" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D₁ will be 30; and

"D₂" 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 D₂ 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:

"Y₁" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y₂" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M₁" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M₂" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D₁" 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 D₁ will be 30; and

"D₂" 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 D2 will be 30.

(E) Notification of Rate of Interest and Interest Amounts

The Agent, or where the applicable Final Terms specifies a Calculation Agent for this purpose, the Calculation Agent so specified, will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and to any Stock Exchange or other relevant competent listing authority or quotation system on which the relevant Floating Rate 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 or Index Linked Interest 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 4.2, whether by the Agent or the Calculation Agent (if applicable) shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Agent, the other Paying Agents, any Calculation Agent, the Common Representative and all holders of 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 (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 or the Registrar, as the case may be, 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, 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. 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 arrear on the Interest Payment Date in each month after the Maturity Date in respect of the Interest Period ending immediately prior to the relevant Interest Payment Date, subject as otherwise

provided in the applicable Final Terms. The final Interest Payment Date shall fall no later than the Extended Maturity Date.

(B) If an Extended Maturity Date is specified in the applicable Final Terms as applying to a Series of Public Sector Bonds and the maturity of those Public Sector Bonds is extended beyond the Maturity Date in accordance with Condition 6.8, the rate of interest payable from time to time in respect of the principal amount outstanding of the 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 the principal amount outstanding shall be the total amount otherwise payable by the Issuer on the Maturity Date less any payments made by the Issuer in respect of such amount in accordance with these Conditions.

(D) This Condition 4.4 shall only apply to 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.

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

5.2 Payments in relation to Public Sector Bonds held through Interbolsa

Payments of principal and interest in respect of Public Sector Bonds held through Interbolsa may only be made in euro or in such other currencies accepted by Interbolsa for registration and clearing, until such

date as Interbolsa accepts registration and settlement of securities denominated in currencies other than euro.

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

5.3 Presentation of Definitive Bearer Public Sector Bonds and Coupons

(A) Payments of principal in respect of Definitive Bearer Public Sector Bonds will (subject as provided below) be made in the manner provided in Condition 5.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Definitive Bearer Public Sector Bonds, and payments of interest in respect of Definitive Bearer Public Sector Bonds will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction)).

(B) Payments of instalments of principal (if any) in respect of Definitive Bearer Public Sector Bonds, other than the final instalment, will (subject as provided below) be made in the manner provided in Condition 5.1 above against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Receipt in accordance with the preceding paragraph. Payment of the final instalment will be made in the manner provided in Condition 5.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Bearer Public Sector Bond in accordance with the preceding paragraph. Each Receipt must be presented for payment of the relevant instalment together with the Definitive Bearer Public Sector Bond to which it appertains. Receipts presented without the Definitive Bearer Public Sector Bond to which they appertain do not constitute valid obligations of the Issuer. Upon the date on which any Definitive Bearer Public Sector Bond becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

(C) Fixed Rate Public Sector Bonds in definitive bearer form should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 20 years after the Relevant Date (as defined in Condition 8 (*Prescription*)) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 8 (*Prescription*)). Upon the date on which any Fixed Rate Public Sector Bond in definitive bearer form becomes due and repayable, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

(D) Upon the date on which any Floating Rate Public Sector Bond or Index Linked Interest Public Sector Bonds in definitive bearer form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof.

(E) If the due date for redemption of any Definitive Bearer Public Sector Bond is not an Interest Payment Date, interest (if any) accrued in respect of such Public Sector Bond from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant Definitive Bearer Public Sector Bond.

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

Except if otherwise specified in the applicable Final terms, payments of principal and interest (if any) in respect of Public Sector Bonds represented by any Global Public Sector Bond in bearer form held through Euroclear or Clearstream, Luxembourg (as the case may be) will (subject as provided below) be made in the manner specified above in relation to Definitive Bearer Public Sector Bonds and otherwise in the manner specified in the relevant Global Public Sector Bond against presentation or surrender, as the case may be, of such Global Public Sector Bond at the specified office of any Paying Agent outside the United States. A record of each payment made against presentation or surrender of any Global Public Sector Bond in bearer form, distinguishing between any payment of principal and any payment of interest, will be made on such Global Public Sector Bond by the Paying Agent to which it was presented and such record shall be prima facie evidence that the payment in question has been made.

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

(A) Payments of principal in respect of each Registered Public Sector Bond (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Registered Public Sector Bond at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Registered Public Sector Bond appearing in the register of holders of the Registered Public Sector Bonds maintained by the Registrar (the Register) at the close of business on the third business day (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) before the relevant due date. Notwithstanding the previous sentence, if (i) a holder does not have a Designated Account or (ii) the principal amount of the Public Sector Bonds held by a holder is less than €250,000 (or its approximate equivalent in any other Specified Currency), payment will instead be made by a cheque in the Specified Currency drawn on a Designated Bank (as defined below). For these purposes, Designated Account means the account (which, in the case of a payment in Japanese yen to a non-resident of Japan, shall be a non-resident account) maintained by a holder with a Designated Bank and identified as such in the Register and Designated Bank means (in the case of payment in a Specified Currency other than euro) a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney or Auckland, respectively) and (in the case of a payment in euro) any bank which processes payments in euro.

(B) Payments of interest in respect of each Registered Public Sector Bond (whether or not in global form) will be made by a cheque in the Specified Currency drawn on a Designated Bank and mailed by uninsured mail on the business day in the city where the specified office of the Registrar is located immediately preceding the relevant due date to the holder (or the first named of joint holders) of the Registered Public Sector Bond appearing in the Register at the close of business on the fifteenth day (whether or not such fifteenth day is a business day) before the relevant due date (the Record Date) at his address shown in the Register on the Record Date and at his risk. Upon application of the holder to the specified office of the Registrar not less than three business days in the city where the specified office of the Registrar is located before the due date for any payment of interest in respect of a Registered Public Sector Bond, the payment may be made by transfer on the due date in the manner provided in the preceding paragraph. Any such application for transfer shall be deemed to relate to all future payments of interest (other than interest due on redemption) in respect of the Registered Public Sector Bonds which become payable to the holder who has made the initial application until such time as the Registrar is notified in writing to the contrary by such holder. Payment of the interest due in respect of each

Registered Public Sector Bond on redemption will be made in the same manner as payment of the principal amount of such Registered Public Sector Bond.

(C) Holders of Registered Public Sector Bonds will not be entitled to any interest or other payment for any delay in receiving any amount due in respect of any Registered Public Sector Bond as a result of a cheque posted in accordance with this Condition arriving after the due date for payment or being lost in the post. No commissions or expenses shall be charged to such holders by the Registrar in respect of any payments of principal or interest in respect of the Registered Public Sector Bonds.

(D) None of the Issuer or the Agents will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Registered Global Public Sector Bonds or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

5.6 Payment Day

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

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

5.7 Interpretation of principal

Any reference in these Terms and Conditions to principal in respect of the 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, 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, either (whilst the Public Sector Bonds are held through Interbolsa) the nominal amount of all outstanding Public Sector Bonds will be redeemed proportionally or (whilst the Public Sector Bonds are held through Euroclear and/or Clearstream, Luxembourg) the Public Sector Bonds to be redeemed (the "**Redeemed Public Sector Bonds**") will be selected individually in accordance with the rules of the relevant Clearing Systems not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the Selection Date).

6.3 Redemption at the option of the holders of 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 (in the case of Public Sector Bonds held through Interbolsa and in the case of Bearer Public Sector Bonds) or the Registrar (in the case of Registered Public Sector Bonds) at any time during normal business hours of such Paying Agent or, as the case may be, the Registrar falling within the notice period, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent or, as the case may be, the Registrar (a Put Notice) and in which the holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition and, in the case of Registered Public Sector Bonds, the nominal amount thereof to be redeemed and, if less than the full nominal amount of the Registered Public Sector Bonds so surrendered is to be redeemed, an address to which a new Registered Public Sector Bond in respect of the balance of such Registered Public Sector Bonds is to be sent subject to and in accordance with the provisions of Condition 2 (*Transfers of Public Sector Bonds*). If this Public Sector Bond is in definitive form, the Put Notice must be accompanied by this Public Sector Bond or evidence satisfactory to the Paying Agent concerned that this Public Sector Bond will, following delivery of the Put Notice, be held to its order or under its control. If this Public Sector Bond is represented by a Global Public Sector Bond or is in definitive form and held through Euroclear or Clearstream, Luxembourg, as the case may be, to exercise the right to require redemption of this Public Sector Bond the holder of this Public Sector Bond must, within the notice period, give notice to the Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg, as applicable (which may include notice being given on his instruction by Euroclear or Clearstream, Luxembourg or any common depository for them to the Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time and, if this Public Sector Bond represented by a Public Sector Bond, at the same time present or procure the presentation of the relevant Global Public Sector Bond to the Agent for notation

accordingly. Any Put Notice given by a holder of any Public Sector Bond pursuant to this paragraph shall be irrevocable. If the Public Sector Bonds are held through Interbolsa, the right to require redemption will be exercised directly against the Issuer, through the relevant Paying Agent.

6.4 Instalments

Instalment 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 (provided that, in the case of Definitive Public Sector Bonds, all unmatured Receipts, Coupons or Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. Such Public Sector Bonds may be held, resold or, at the option of the Issuer, surrendered to any Paying Agent and/or Registrar for cancellation.

6.6 Cancellation

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

6.7 Late payment on Zero Coupon Public Sector Bonds

If the amount payable in respect of any Zero Coupon Public Sector Bond to which Condition 6.8 does not apply, upon redemption of such Zero Coupon Public Sector Bond pursuant to paragraph 6.1, 6.2 or 6.3 above or upon its becoming due and repayable as provided in Condition 9 (*Events of Default*) is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon 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) Under the applicable Final Terms, an Extended Maturity Date will, in principle, apply to all Series of the Public Sector Bonds, but may not be applicable if the rating provided by the rating agencies appointed by the Issuer at the relevant time in respect of the Programme is not adversely affected by such non applicability.

(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 shall be irrevocable. Where this Condition 6.8 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 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, 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.

(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, 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 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 (and Coupons, if applicable) shall be made free and clear of, and without withholding or deduction for, any Taxes (for which purpose investors are required in any case to comply with their obligations detailed under the *Taxation* section) unless the Issuer or any Paying Agent (as the case may be) is required by law to make any such payment subject to any such withholding or deduction. In that event, the Issuer or any Paying Agent (as the case

may be) shall be entitled to withhold or deduct the required amount for or on account of Tax from such payment and shall account to the relevant Tax Authorities for the amount so withheld or deducted.

7.2 No payment of additional amounts

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

7.3 Taxing Jurisdiction

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

7.4 Tax Deduction not Event of Default

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

8. PRESCRIPTION

The 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 or the Registrar, as the case may be, on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the holders of 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 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, Decree-Law no. 298/92, of 31 December 1992 and/or (if applicable) under the Code for the Insolvency and Recovery of Companies approved by Decree-Law no. 53/2004, of 18 March 2004). Investors should see the Insolvency of the Issuer section.

9.2 Enforcement

(A) Following the approval of a Resolution as described in Condition 9.1, the holders of the 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, PAYING AGENTS AND REGISTRAR

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

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

- (i) there will at all times be an Agent and, in the case of Registered Public Sector Bonds held through Euroclear and/or Clearstream, Luxembourg, a Registrar;
- (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;
- (iii) so long as any of the Public Sector Bonds are listed on any Stock Exchange or admitted to trading by any other relevant authority, there will at all times be a Paying Agent with a specified office in such place as may be required by the rules and regulations of the relevant Stock Exchange or as the case may be, other relevant authority;
- (iv) the Issuer will ensure that it maintains a Paying Agent in a Member State of the EU that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other Directive or any law implementing or complying with, or introduced in order to conform to such Directive.

11. NOTICES

Notices to the holders of Public Sector Bonds shall, in respect of the Public Sector Bonds listed on Euronext Lisbon, be published on Euronext Lisbon – Sociedade Gestora de Mercados Regulamentados, S.A. bulletin and on the CMVM's information system (www.cmvm.pt). Furthermore, any such notice shall be disclosed by any further means required to allow a fast access by all holders of Public Sector Bonds throughout the European Union and shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made, as provided above.

Notices to holders of the Public Sector Bonds deposited with a common depository for Euroclear and Clearstream, Luxembourg may be given by delivery of the relevant notice to Euroclear and Clearstream, Luxembourg and, in any such case, such notices shall be deemed to have been given to the holders of the Public Sector Bonds on the date of delivery to Euroclear and Clearstream, Luxembourg and, in addition, for so long as Public Sector Bonds are listed on a stock exchange and the rules of that stock exchange (or any other relevant authority) so require, such notice will be published in a daily newspaper of general circulation in the place or places required by that stock exchange (or any other relevant authority).

12. MEETINGS OF HOLDERS OF PUBLIC SECTOR BONDS

(A) The Portuguese Companies Code 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 whatever the Principal Amount Outstanding of the Public Sector Bonds then outstanding; 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% of the Principal Amount Outstanding of the Public Sector Bonds then outstanding so held or represented or, at any adjourned meeting, any person being or representing whatever the Principal Amount Outstanding of the Public Sector Bonds then outstanding. Each Public Sector Bond grants its holder one vote. For the sake of clarity, in relation to any Public Sector Bonds represented by a Global Public Sector Bond, each unit of the lowest Specified Denomination in the Specified Currency shall grant 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% 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.

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, COUPONS AND TALONS

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

COLLATERALISATION, VALUATION OF COVER POOL AND ISSUER COVENANTS

15.1 Maintenance of collateralisation

For so long as the Public Sector Bonds are outstanding and rated by Moody's, 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 107% of the aggregate Value of all outstanding Public Sector Bonds issued pursuant to article 21.2 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%.

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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% 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 Regulation 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 this Condition 15 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; and

(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 Transaction Documents are governed by, and shall be construed in accordance with, Portuguese law unless specifically stated to the contrary.

18. DEFINITIONS

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

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

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

“**Agency and Payments Procedures**” means the set of agency and payments procedures (such agency and payments procedures as amended and/or supplemented and/or restated from time to time) dated 19 June, 2008 and made and agreed by Banco BPI, S.A. and by any subsequent agent, paying agent, transfer agent, agent bank and/or registrar appointed by the Issuer.

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

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

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

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

“**Collateralisation Percentage**” means 107% or such other percentage as may be elected 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%..

“**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 55 Moorgate, London, EC2R 6PA, United Kingdom.

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

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

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

“**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 Deloitte & Associados – SROC, S.A., member of the Portuguese Institute of Statutory Auditors (“*Ordem dos Revisores Oficiais de Contas*”), registered with the CMVM with registration number 231, with registered office at Edifício Atrium Saldanha, Praça Duque de Saldanha, 1 – 6th, 1050-094, Lisbon.

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

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

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

“**Euro**”, “**EUR**”, “**€**” or “**euro**” means the lawful currency of Member States of the European Union that adopt the single currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No. 974/98 of 3rd May 1998 on the introduction of the euro, as amended..

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

“**Eurosystem**” means the monetary authority which comprises the European Central bank 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.

“**Global Public Sector Bond**” means any global public sector bond (whether temporary or permanent, if applicable).

“**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.

“**Instruction 13/2006**” means the regulatory instruction (“*Instrução*”) no. 13/2006 issued by the Bank of Portugal relating to certain information duties applicable in relation to the issue of 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 operator of the Central de Valores Mobiliários.

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

“**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.”

“**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.

“**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 Hedge Contracts.

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

“**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 20th March 2006, 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.

“**Receipts**” means the principal receipts related to the Definitive Bearer Public Sector Bonds.

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

“**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.

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

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

“**Regulation 8/2006**” means the regulatory notice (“*Aviso*”) no. 8/2006 issued by the Bank of Portugal and published on October 10th, 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.

“**Regulation S**” means Regulation S under the Securities Act.

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

“**Reserved Matter**” means any proposal: (i) to change any date fixed for payment of principal or interest in respect of the 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.

“**Stock Exchange**” means Euronext Lisbon or any other stock exchange where Public Sector Bonds may be listed as per the relevant Final Terms of the Public Sector Bonds.

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

“**TARGET Day**” means any day on which the TARGET System (TARGET or TARGET 2) is open.

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

“**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.

“**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 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 European Central Bank and the national central banks of the EU Member States whose currency is the euro);
- (b) current or term account deposits with credit institutions (which are not in a control or group relationship with the Issuer) having a rating equal to or higher than the minimum rating required at any time by the Rating Agencies, provided that such minimum rating shall in any event be at least equal to «A-» or equivalent; and

- (c) other assets meeting both the low risk and high liquidity requirements of the Bank of Portugal Regulations.

The aggregate value of the Other Assets may not exceed 20% 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) 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.

Under Hedging Contracts, with respect to interest rate hedging on the Cover Pool, on a monthly, quarterly or semi-annual basis, as applicable, the Issuer will pay to a Hedge Counterparty an amount related to the relevant EURIBOR interest rates applicable in respect of the Public Sector Credits, determined by deducting the weighted average spread from the weighted average basket interest rate of the Public Sector Credits held by the Issuer and which are included in the Cover Pool on the relevant date. The payment will be calculated on a notional amount equal to the principal amount outstanding of those Public Sector Credits on the relevant date. In return, on a monthly basis, quarterly or semi-annual basis, as applicable, the Hedge Counterparty will pay to the Issuer an amount related to one, three or six month EURIBOR, as applicable, on that notional amount.

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

Under the terms of the proposed Hedging Contracts to be entered into with the Hedge Counterparty, if the rating of any Hedge Counterparty’s (or, if applicable, its credit support provider’s) unsecured, unsubordinated debt obligations fall below certain minimum ratings by S&P and/or Moody’s and/or Fitch, , the Hedge Counterparty will be required to take certain remedial measures which may include:

(i) providing collateral for its obligations under the Hedging Contract; (ii) arranging for its obligations under the Hedging Contracts to be transferred to an entity with the ratings required by the relevant rating agency; (iii) procuring another entity with the ratings required by the relevant rating agency to become co-obligor in respect of its obligations under the Hedging Contracts; or (iv) taking such other action as it may agree with the relevant rating agency. Failure by the Hedge Counterparty to take such steps within the applicable time periods may allow the Issuer to terminate the Hedging Contracts.

In addition, certain other termination events and/or events of default may apply under the terms of the proposed Hedging Contracts, which may entitle the Hedge Counterparty and/or the Issuer to terminate the Hedging Contracts.

Upon any termination in whole or in part of the Hedging Contracts, the Issuer may be required to make (or be entitled to receive) a termination payment to (or from) the Hedge Counterparty.

The Hedging Contracts will be governed by English 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.

COLLATERALISATION

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% 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 the Cover Pool with respect to outstanding Public Sector Bonds at a minimum level of 107% 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%.

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 interest;
- (c) in relation to any Other Assets:
 - (i) deposits shall be accounted for according to their amount together with any accrued but unpaid interest; and
 - (ii) securities eligible for Eurosystem credit transactions shall be accounted for by one value resulting from the rules regarding margin valuation laid down by the Eurosystem or, if lower, according to their nominal value, including accrued but unpaid interests.

Also for the purpose of these calculations the Issuer and the Cover Pool Monitor shall use the exchange rates published by the European Central Bank as a reference.

In addition, the net present value of the liabilities arising from issues of 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 Regulation 6/2006.

Valuation of Other Assets

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

- (a) the deposits shall be accounted for according to their amount together with any accrued but unpaid interest; and
- (b) the securities eligible for Eurosystem credit transactions shall be for 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 the dissolution and winding-up of the Issuer, which shall be submitted to the Bank of Portugal pursuant to Article 35-A of the Credit Institutions General Regime, shall identify a Substitute Credit Institution appointed to (i) manage the Cover Pool allocated to the outstanding 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 Regulation 8/2006, any Substitute Credit Institution appointed by the Bank of Portugal to service the Cover Pool following an Insolvency Event of the Issuer shall:

- (i) immediately upon being appointed, prepare an opening balance sheet in relation to the Cover Pool, supplemented by the corresponding explanatory notes;
- (ii) perform all acts and things necessary or desirable for the prudent management of the Cover Pool and respective guarantees in order to ensure the timely payment of all amounts due to holders of 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.

In the event of insolvency of the Issuer, 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 has been made. In any case, and even if the Issuer 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.

COMMON REPRESENTATIVE OF THE HOLDERS OF PUBLIC SECTOR BONDS

BNP Paribas Trust Corporation UK Limited, with registered office at 55 Moorgate, London EC2R 6PA, 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 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.

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% 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 19 June, 2008, the Issuer appointed Deloitte & Associados, SROC S.A. as Cover Pool Monitor. Deloitte & Associados, SROC S.A. is registered with the CMVM under registration number 231.

The Cover Pool Monitor Agreement reflects the requirements of the 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 (*Collateralisation, 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 collateralisation (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 of 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.

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 Cover Pool Monitor must also prepare opinions certifying the statements of the management body of the Issuer, relating to information and documentation filed with the Bank of Portugal.

The 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

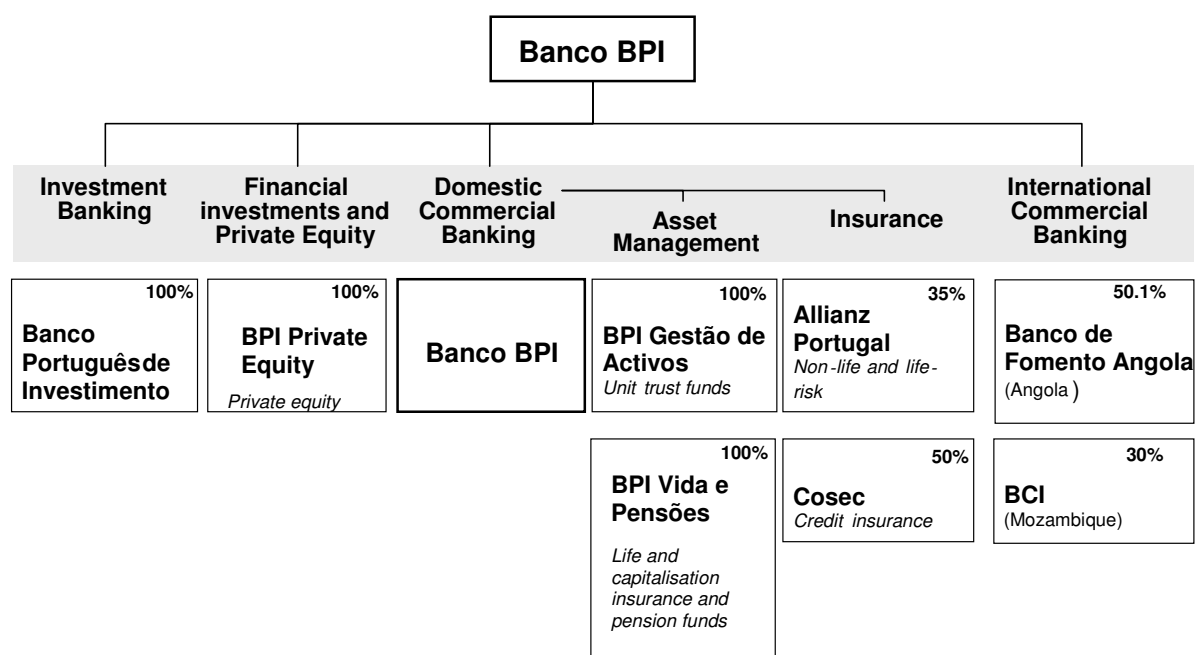
Banco BPI, S.A. is a commercial bank and the holding company of the BPI Group.

The BPI Group is a financial and multi-specialist group, focusing predominantly on commercial banking business in Portugal. It has a comprehensive spectrum of financial services and products for business, institutional and individual customers.

Banco BPI, S.A. serves more than 1.6 million customers through its multi-channel distribution network comprising 649 retail branches, 39 investment centres, a network of 30,753 commercial partners, structures dedicated to corporate (47 centres) and institutional customers (6 centres), a homebanking service and a telephone banking service (as of 30 June, 2012). In addition, Banco Português de Investimento, the BPI Group's original matrix, is engaged in investment banking business – Equities, Corporate Finance and Private Banking – at the Iberian Peninsula level. With regard to asset management, Banco BPI, S.A. manages unit trust (mutual) funds, pension funds and life-capitalisation insurance, which it distributes via Banco BPI, S.A. and Banco Português de Investimento.

In Angola, Banco BPI, S.A. has a 50.1% shareholding in Banco de Fomento Angola (“BFA”), which, as of June 30th, 2012 served a total of 947,000 customers with a network of 137 branches, 8 investment centres and 14 corporate centres. As of 9 December 2008, Banco BPI sold 49.9% of BFA share capital to Unitel, an Angolan telecom operator.

So far as insurance interests are concerned, Banco BPI, S.A. has a long-standing partnership arrangement with Allianz for general insurance and life assurance, demonstrated by an equity stake of 35% in Allianz Portugal and by an agreement covering insurance distribution via the Bank's commercial network. Banco BPI, S.A. also controls 50% of Cosec, an operator in the national credit-insurance and insurance-guarantee market..



Banco BPI, S.A. is the parent company of the companies shown above and Banco BPI, S.A. 's financial results are partially dependent upon the cash flows and dividends from these subsidiaries.

HISTORY

Sociedade Portuguesa de Investimentos was conceived in **1981** with a well-defined project for a decade that had just started: to finance investment projects launched by the private sector, to participate in the creation of a dynamic capital market and to contribute to the country's industrial modernisation. BPI counted on a diversified shareholder base that included a strong domestic component, represented by 100 of the most dynamic companies in the country, and five of the most prominent international financial institutions.

SPI was transformed into an **investment bank in 1985**, thereby allowing it to attract sight and term deposits, grant short-term loans, participate in the interbank markets and engage in currency operations. A year later, in 1986, the bank's future direction was marked by the opening of its capital to the general public and the listing of its shares on the Lisbon and Oporto Stock Exchanges

In **1991**, a decade after its formation, BPI had already conquered an undisputed leadership in the principal areas of Investment Banking, playing a major role that gained further momentum as the decade advanced thanks to the privatisation programme in Portugal, and assumed its ambition to consolidate its position as one of the country's premier financial groups. It was in this spirit that it resolved to acquire **Banco Fonecas & Burnay**, thereby marking BPI's entry into the Commercial Banking arena, affording it a substantial gain in size in preparation for the corporate concentration process in the Portuguese financial system.

It was the Group's overriding objective to guarantee the provision of a complete range of financial services to companies and individuals alike. An alliance was then forged with the Itaú Group, initially through its equity participation in BFB. In 1993, this interest was converted into a direct shareholding in BPI, following which Banco Itaú became one of the key shareholders.

The Institution's composition was reorganised in 1995: the original BPI was transformed into an SGPS (**holding company**), following which it became the only Group company to be listed on the stock exchange, controlling Banco Fonecas & Burnay and Banco Português de Investimento, formed in the meantime by the transfer of the assets and liabilities allocated to the business activity traditionally conducted by this type of institution and hitherto undertaken by BPI.

This reorganisation precipitated the specialisation of the Group's various units and 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 the Itaú Group: La Caja de Ahorros y Pensiones de Barcelona ("La Caixa"), and the German insurance group Allianz.

A year later (in **1996**) the **acquisition of Banco de Fomento and Banco Borges** marked the beginning of the process involving the integration of the BPI Group's three banks that would culminate, two years later, with the creation of Banco BPI, providing it with the largest single-brand banking network in Portugal. **Banco BPI was formed in 1998** by the merging of **Banco Fonecas & Burnay (BFB)**, **Banco de Fomento e Exterior (BFE)** and **Banco Borges & Irmão (BBI)**, to be joined later that year by Banco Universo (an in-store bank), acquired in the meantime.

After the merger, the structure was significantly simplified: BPI SGPS now comprises just two banking institutions: Banco Português de Investimento, named BPI Investimentos, and a new commercial bank called **Banco BPI, S.A.**

The next three years - **1999 to 2001** - have confirmed BPI's potential for **growth, modernisation and structural reinforcement** engendered by the 1998 merger: the Group has boosted market shares in all the key areas of commercial banking, it has expanded and streamlined its distribution structure, rapidly transforming itself into a multi-channel bank, it has thoroughly renovated its technological capability and built up one of the financial system's most dynamic brand names.

In **2002**, BPI concluded an **important reorganisation programme** that endowed the Group with a much simpler legal configuration, more attuned to its business model and more conducive to the obtainment of cost savings and efficiency gains in the Group's functioning. In essence, the programme

involved the centralisation at **Banco BPI** of commercial banking business and the concentration at Banco de Investimento of its natural business. BPI SGPS incorporated Banco BPI and simultaneously its business object was altered to embrace Commercial Banking, adopting the name **Banco BPI** and assuming the command position at the helm of the whole Group. Banco de Fomento was formed in Angola in the wake of the transformation of Banco BPI's Luanda branch into a fully-fledged Angolan-law bank.

At the same time, BPI intensified the programme directed at the **rationalisation, rejuvenation and qualification** of its human resources, the upgrading of its technology, the streamlining of its distribution channels and boosting Brand development. This process is constantly evolving and seeks to reinforce in a decisive manner the essential skills required to affirm the goals that form the springboard for the Bank's plans for the future: efficiency, quality and service.

In **2004**, **Artur Santos Silva**, BPI's founder and leader from its first hour, ceased executive functions, retaining the chairmanship of the Board of Directors.

In October **2006**, BPI completed 25 years of activity (taking as the reference the formation of SPI - Sociedade Portuguesa de Investimentos, in 1981). May **2007** saw the unsuccessful conclusion of the hostile takeover bid launched for the Bank in March 2006 - accepted by a mere 3.9% of BPI's capital -, and which was unanimously rejected from the outset by the Bank's Board of Directors, considering it to be "totally unacceptable". BPI thus pursued its sustained strategy of creating value for Shareholders, Employees and Customers, the merit of which is objectively expressed in the annual average return of **16%** on BPI shares since its foundation up till the end of the 2007 financial year.

In **2008**, BPI fulfilled four priorities - defended and reinforced capital, guaranteed a comfortable liquidity position, reduced risks and strengthened Customer relations - which constituted the Bank's response programme to the challenges posed by the persistent deterioration of that which is already one of the most severe and enduring international financial crisis of the last century. In Angola, BFA's capital was opened up through the sale of a 49% stake to Unitel, a partnership that is hoped will make a valuable contribution to ensuring the bank's continued expansion.

In 2011, BPI Group completed its 30th year of existence since the creation of SPI-Sociedade Portuguesa de Investimentos in 1981.

ESTABLISHMENT AND DOMICILE

Banco BPI, S.A. is domiciled in Rua Tenente Valadim, 284, Porto, telephone number +351 22 2075000.

LEGAL FORM

Banco BPI, S.A. is registered as a bank with the Bank of Portugal and operates under the legal name of "Banco BPI, S.A.". Banco BPI, S.A. also operates under the commercial name of "BPI". It is a limited liability company ("Sociedade Anónima") under Portuguese law registered for an indefinite term in the Commercial Register of Porto, under nr. 501 214 534 as at 23rd October, 1981.

OBJECT AND PURPOSE

According to its constitutional documents, the object of Banco BPI, S.A. is to transact banking business including any additional, related or similar operations compatible with the said business to the full extent permitted by law. Banco BPI, S.A. 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.

SHAREHOLDERS

As at August 10th, 2012, the main shareholders in Banco BPI, S.A. included CaixaBank (with an interest of 46.22%), Santoro Finance, Prestação de Serviços, S.A. (19.47%), Allianz Europe Ltd. (8.83%), and HVF SGPS, S.A. (2.15%).

BPI's by-laws establish a cap of voting rights for each shareholder, regardless of the amount of share capital held by the relevant shareholder, which is currently set at 20%

BUSINESS OVERVIEW OF BANCO BPI, S.A.

BPI Group activity is divided into two main geographic areas:

- (1) Domestic Activity including Domestic Commercial Banking, Investment Banking, Private Equity and Financial Investments; and
- (2) International Commercial Banking.

Domestic Activity

Domestic Commercial Banking business corresponds to banking activity carried out with companies, individuals and institutions in Portugal and includes the provision of banking services to non-residents, namely to emigrant communities and the Madrid branch.

Domestic Commercial Banking is organised into two main segments:

- individuals and small businesses; and
- corporate banking, institutional banking and project finance.

The individuals and small businesses banking division served high net worth Individuals, Companies and Institutions with a turnover up to EUR 5 million.

The Corporate Banking, Institutional Banking and State Business Sector areas manage in an integrated manner BPI's relationship with its corporate and institutional client base, as well as the respective range of products and services. Corporate Banking customers are divided into segments according to their respective business volumes - Large Corporations and Companies - and according to their specific business mission - Project Finance, Institutional Banking and State (Public) Business Sector.

The corporate banking network includes two support areas for large corporations (North-Oporto and South-Lisbon), together with three regional divisions (North, Centre, South and Islands) to serve the rest of the corporate market. These divisions coordinate 47 corporate centres scattered around the country and include a Spanish companies division and other multinational centres specially designed to serve the specific needs of customers with Iberian operations.

The institutional banking and state business sector division caters to institutional clients, public sector companies and other public sector controlled entities. This division has a commercial network composed of six institutional centres which ensure that Banco BPI, S.A. provides its customers with a high-quality and flexible service.

The Project Finance division is dedicated to the arrangement, structuring and participation in project finance operations and public-private partnerships, as well as in other structured finance deals.

Investment Banking activities, namely equities, corporate finance and private banking, are conducted by BPI Investimentos and private equity business is conducted through a 100% subsidiary, Inter-Risco, while other non-core investments are booked under Banco BPI's balance sheet.

The activities carried out abroad by branches and representative offices which are intended, in general, to serve the needs of Portuguese expatriates as well as to provide a link for Portuguese companies in their business with local parties, are integrated in the Domestic Commercial Banking area.

The Bank has offshore branches in the Cayman Islands, Macau, Santa Maria (the "Azores Islands") and Funchal (the "Madeira Islands"), eleven branches in France and one in Spain. It also has representative offices in Geneva, Hamburg, Newark, Caracas, Johannesburg, Rhode Island, London, Luxembourg, Lyon and Toronto. The Bank has also established agreements with local credit institutions and with local post offices in Luxembourg, Canada, Belgium, and the United Kingdom and has representative agents in the Dutch Antilles, Australia and Brazil.

International Commercial Banking

International Commercial Banking Activity refers to business operations conducted through a 50.1% shareholding in BFA in Angola and through a 30% shareholding in BCI Fomento in Mozambique. This shareholding was acquired as a result of the merger between BFM and Banco Comercial e de Investimentos at the end of November 2003.

SHARE CAPITAL

Banco BPI's share capital amounted to € 1,190,000,000 fully subscribed and paid up shares with no par value and the share premium amounted to [€ 441.3 million]. In accordance with Ministerial Order (*Portaria*) 408/99, of 4th June, 1999 published in the Portuguese official gazette - 1st B Series, 129, the share premium may not be distributed and may not be used for the acquisition of own shares.

MANAGEMENT

The following is a list of the members of the Board of Directors and of the Executive Board of Banco BPI, S.A. The Members of the governing bodies are elected for a three years period and may always be re-elected, except for the members of the Supervisory Board, who shall only be re-elected for another two consecutive terms. The business address of each of the below-mentioned members of the Board of Directors and the Executive Board is Banco BPI, S.A., Rua Tenente Valadim, 284, Porto, Portugal.

Board of Directors:

Chairman: Artur Santos Silva
Deputy-Chairman: Fernando Ulrich
Members: Alfredo Resende de Almeida
Allianz Europe, Ltd. (represented by Herbert Walter)
António Domingues
António Farinha Morais
António Lobo Xavier
Armando Leite de Pinho
Carlos Moreira da Silva
Edgar Alves Ferreira
Isidro Fainé Casas
Ignácio Alvarez-Rendueles
José Pena do Amaral
Juan Nin Génova
Klaus Dührkop
Manuel Ferreira da Silva
Marcelino Armenter Vidal
Maria Celeste Hagatong
Mário Leite da Silva
Pedro Bissaia Barreto
Tomaz Jervell

Executive Board:

Chairman: Fernando Ulrich
Deputy-Chairman: António Domingues
Members: António Farinha Morais
José Pena do Amaral
Manuel Ferreira da Silva
Maria Celeste Hagatong
Pedro Bissaia Barreto

On May 7th, 2012, due to the sale by IPI - Itaúsa Portugal, SGPS, Lda of its entire participation of 18.87% in the share capital of Banco BPI, as mentioned under the heading “Shareholders”, Mr. Carlos da Câmara Pestana, Mr. Henri Penchas and Mr. Ricardo Villela Marino, members of the Board of Directors of Banco BPI and in the case of Mr. Carlos da Câmara Pestana, Deputy-Chairman of that body, notified the Chairman of the Board of Directors informing about their resignation to mentioned positions.

CERTAIN RELATIONSHIPS

There are no potential conflicts of interests between any duties to the Bank of the members of either the Board of Directors or the Executive Board and their private interests or other duties.

SUPERVISORY BOARD

The Supervisory Board performs the functions attributed to it by law, the statutes and BPI’s internal regulations.

The Supervisory Board is composed by the following members, whose business address is the Issuer’s head office:

Chairman:	Abel António Pinto dos Reis
Members:	Jorge de Figueiredo Dias José Neves Adelino
Alternates:	Rui Manuel Campos Guimarães Francisco Javier Olazabal Rebelo Valente

The Supervisory Board’s composition is deliberated upon by the general meeting of shareholders of the Issuer. The Supervisory Board exercises its function for terms of three years.

Besides any other competence set out in the 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.

PORTUGUESE STATUTORY AUDITOR

The Statutory Auditor (Revisor Oficial de Contas) of Banco BPI, S.A. is Deloitte & Associados, SROC, S.A., represented by António Marques Dias since 19th July 2010. António Marques Dias has substituted Augusta Francisco.

EMPLOYEES

As at December, 31st, 2011 the BPI Group’s workforce numbered 9.018, of whom 76% were deployed in domestic operations (74% in Portugal and 2% at overseas branches and representative offices), while the remaining 24% made up the workforce of Banco de Fomento Angola.

BPI’s average workforce in 2011 decreased to 9,292, corresponding to 7,215 employees in the domestic operations (that decreased 5.7% during the year) and 2,077 employees in Banco de Fomento Angola (that increased 8.7% in relation to 2010).

PENSION OBLIGATIONS

As at June 30th, 2012 the employees' pension funds amounted to EUR 897.4 million, representing 110.3% of the funds' liabilities with pensions, which totalled EUR 813.5 million.

As at June 30th, 2012, the pension funds had a year-to-date non-annualised return of 7.9%

RISK MANAGEMENT

The following is a summary of certain aspects of the business of Banco BPI, S.A. of which prospective investors of Banco BPI, S.A. should be aware. The summary is not intended to be exhaustive and the following information should be carefully considered in connection with the other information contained in this Prospectus.

Risk management at the BPI Group is based on the ongoing identification and analysis of exposure to the different risks (counterparty risk, country risk, market risks, liquidity risks, operational risks, legal risks or other risks) and on the execution of strategies aimed at maximising the results vis-à-vis risks, within predefined and duly supervised limits.

CREDIT RISK

As at June 30th, 2012, customer loans in arrears for more than 90 days totalled EUR 749.3 million, which corresponded to a non-performing loan ratio of 2.6%.

Within domestic operations, loans in arrears for more than 90 days totalled EUR 687.1 million, which corresponded to a non-performing loan ratio of 2.5%. Within international operations, loans in arrears for more than 90 days totalled EUR 62.2 million, which corresponded to a non-performing loan ratio of 4.8%.

As at June 30th, 2012, the amount of cumulated impairments recognised in the balance sheet totalled EUR 759.1 million, which corresponded to 2.6% of the gross loan portfolio. Within domestic operations, the amount of cumulated impairments recognised in the balance sheet totalled EUR 667.8 million. Within international operations, the amount of cumulated impairments recognised in the balance sheet totalled EUR 91.3 million.

The net loan loss in the first half of 2012, measured by loan impairment losses recognised in the period and net of recoveries of loans previously written-off, was EUR 138.8 million, which corresponds to 0.83% of the average loan portfolio, in annualised terms.

FINANCIAL RISK ASSESSMENT AND CONTROL

Country Risk

The individual evaluation of each country's risk is carried out with the aid of external ratings, external reports and in-house studies conducted by the Finance Division. Countries considered eligible for investment are required to be large emerging markets embracing market economy principles which are open to international trade and which have strategic importance within the context of international politics. Operations considered eligible are those involving the short-term financing of foreign trade, loans to certain multilateral banks, medium-term operations with political risk cover or which, owing to their structuring, are not subject to transfer risk.

The country-risk exposures include international equity investments (BFA and BCI Mozambique).

Market Risks

Market risk (interest rates, exchange rates, share prices, commodity prices and spreads) is defined as the possibility of incurring losses due to unexpected variations in the price of instruments or operations ("price includes index value, interest rate or exchange rate"). Spread risk is the risk resulting from the variability of interest rates of some counterparties in relation to the interest rate used as reference.

The assessment of treasury positions (short-term) and structural risk positions relating to interest or foreign exchange rates (long-term) is based on gap schedules (currency gaps, repricing gaps, duration gaps).

The evaluation of exposure in trading operations is carried out on a daily basis through the recourse to a routine for calculating the Value at Risk ("VaR") according to standardised assumptions, generally forming part of the Bank for International Settlements' set of recommendations.

Liquidity risk

Liquidity risk is monitored in terms of its two components: (i) in the tradability of the different assets; and (ii) in global terms, whereby liquidity risk is defined based on the (in)ability to keep pace with the asset's growth and to satisfy treasury needs without incurring abnormal losses.

At global level, responsibility for liquidity risk management strategy is vested in the Executive Committee for Market Risks and the Group's Finance Division and is founded on the constant vigilance of the exposure indicators. There are no predefined limits but merely guidelines relating to these indicators.

During 2011, liquidity management at BPI continued to be affected by the negative risk perception of Portugal amongst international investors, which as a consequence resulted in greater difficulty for BPI in accessing short-term financing. As a result, BPI continued to maintain liquidity management as one of its main priorities, which was reflected by the following aims: permanent and detailed monitoring of the short-term borrowing gap; stringent utilisation of ECB funding; focus on customer resources; being recognised as being the most important source of funding; and an increase in the portfolio of assets eligible for Eurosystem funding.

As at 30th June, 2012, the short-term gap (i.e. the difference between short-term assets and short-term liabilities) was EUR -5.6 billion, primarily funded with recourse to repos and the ECB.

Recent Developments

On 4th June 2012 BPI announced that its Board of Directors approved the recapitalisation plan, developed in accordance with the "Recapitalisation Program for Credit Institutions" established by Law no. 63-A/2008 of November 24th (as amended by Law 4/2012 of 11th January), and in compliance with the goals defined in the Stabilisation Program and requirements of the EBA regarding the objectives for the capital ratio (Core Tier 1). Accordingly, its Core Tier 1 capital has been increased by EUR 1,500 million by the end of the month of June. The recapitalisation plan components are: (a) a capital increase to raise funds, to be subscribed by BPI's shareholders exercising their legal right of preference, in a total amount of EUR 200 million and (b) the subscription by the State of hybrid instruments that qualify as Core Tier 1 (instruments established by Portaria no. 150-A/2012, of May 17th, that are fully repayable by BPI over a period of five years and which only in specific circumstances, including non-compliance or failure to pay, can be converted into shares of BPI), in a total amount of EUR 1,500 million, which will be decreased to EUR 1,300 million immediately after the capital increase.

On August 7th, 2012 BPI announced that the 400,000,000 ordinary, book entry, nominal shares, with no par value offered to the subscription of BPI shareholders at a price of € 0.50 per share, were fully subscribed. All new shares were admitted to trade on Euronext Lisbon on August 13th, 2012.

On August 13th BPI repurchased from the Portuguese State part - € 200 million, corresponding to the cash proceeds of this capital increase – of the Core Tier 1 capital instruments (contingently convertible subordinated bonds) issued by Banco BPI and subscribed by the Portuguese State on June 29, 2012.

On 3rd December 2012, BPI has published the results of the On-Site Inspection Programme, regarding the exposure to the construction and real state sectors in Portugal and Spain, as of 30th June 30, 2012. The assessment concluded that there was a need to reinforce the impairments by EUR 7.1 million, corresponding to around 0.3% of the exposure assessed. The reinforcement of impairments that BPI recorded thereafter, as of 30th September 2012, had already covered the majority of the needs identified, reducing the amount from EUR 7.1 million to EUR 0.4 millions, an amount that should be registered until 31st December 2012.

On 4th December 2012, BPI repurchased from the Portuguese State an additional EUR 100 million, of the Core Tier 1 capital instruments (contingently convertible subordinated bonds). With this repayment, the amount Core Tier 1 capital instruments (contingently convertible subordinated bonds) owned by the Portuguese State has been reduced to EUR 1,200 million.

Under the terms of Article 8 (1) and (2) of the Securities Code, Deloitte & Associados, SROC, S.A. gave its opinion on the assumptions, criteria and consistency of the prospective financial information that is part of the information used by the Bank to determine the “ratios estimated for the BPI Group following the Recapitalisation Plan” included in Section 2 of the Recapitalisation Plan. The aforesaid prospective financial information that is the object of the opinion comprises provisional balance sheets and profit and loss accounts for the years ending in the period between 1 January 2012 and 31 December 2020, as set out in the last forecast sent to Bank of Portugal under the Economic and Financial Assistance Programme for Portugal. The opinion given by Deloitte & Associados, SROC, S.A. is reproduced as follow:

“REVIEW REPORT OF THE CHARTERED ACCOUNTANT

(Translation of a report originally issued in Portuguese.

In the event of discrepancies, the Portuguese language version prevails)

*To
The Board of Directors of
Banco BPI, S.A.*

The Recapitalization Plan of Banco BPI, S.A. ("Bank") prepared by the Board of Directors for the purposes set forth in the Law no. 63-A/2008, dated November 24, as amended by the Law no. 4/2012, dated January 11, ("Recapitalization Plan") includes in its section "2 - Description of the underlying reasons that led to the need of government investment support" information on "ratios estimated for the BPI Group following the Recapitalization Plan" for the financial years ending between January 1, 2012 and December 31, 2020.

In determining the "ratios estimated for the BPI Group following the Recapitalization Plan", the Bank used information on its consolidated operations, including projections for the period 2012-2020. The prospective balance sheets and statements of income for the years ending in the period between January 1, 2012 and December 31, 2020 are part of these projections. These balance sheets and statements of income are contained in the document "Group BPI 2012-2020" prepared by the Board of Directors and submitted to the Bank of Portugal on June 8, 2012, under the Economic and Financial Assistance Program for Portugal,.

The work performed for the issuance of our review report consisted on the review of the prospective balance sheets and statements of income of the Bank for the years ending in the period between January 1, 2012 and December 31, 2020 (hereinafter "prospective financial information") and was completed on July 4, 2012.

The preparation and presentation of the prospective financial information, as well as the setup of the assumptions that support it, are the responsibility of the Board of Directors of the Bank. These assumptions reflect the Bank's current plans and expectations on its activities and future results, in the period for which the prospective financial information refers to, based on the prevailing market conditions as at the date when these assumptions were setup, those that the Bank expects to occur in the period considered and also opinions which by their subjective nature cannot be subject to confirmation.

All assumptions have impact on the prospective financial information. Without intending to rank the relative importance of the assumptions or business areas, we mention the Board of Directors' perspectives on the following aspects:

- *domestic activity:*

- *The evolution of the Bank's financial position and results is dependent on the Portuguese macroeconomic scenario. The macroeconomic scenario considered until 2015 was based on the information setup by the Bank of Portugal for purposes of the financing and capital plans prepared quarterly by the Bank under the Economic and Financial Assistance Program for Portugal. For the period 2016 - 2020, the Bank forecasts for Portugal the maintenance of the annual economic growth projected for 2015. A more adverse macroeconomic scenario compared to the scenario considered by the Bank would negatively affect the projected financial position and results to be generated by the Bank;*

- *The forecasted financial margin is conditioned, amongst others, by the following aspects:*

- *Spreads on the new loans granted: For the most representative segments, the Bank estimates to maintain until 2015 the spreads currently contracted on the new loans granted, which are higher than those in 2011, and its gradual reduction as from 2016 onwards, resulting in a gradual increase in the average spread of its loan portfolio compared to 2011. Should the loan portfolio repricing differ from that estimated, the forecasted financial margin may be adversely affected;*

- *Loan portfolio segmentation: The Bank forecasts the increase in the financing to the Portuguese companies, namely to those that export. On the other hand, the Bank forecasts a contraction of the mortgage portfolio, in the financing of the Portuguese Public Sector and in the Project Finance segment. Should the evolution of the composition of the loan portfolio differ from that estimated, including as result of events outside the Bank's direct intervention, the forecasted financial margin may be penalized;*

- *Underlying spreads of term deposits: The Bank forecasts the reduction until 2014 of the spreads for term deposits and its maintenance between 2014 and 2020 at levels below those of 2011. The maintenance of the spreads verified in 2011 on term deposits would lead to a reduction of the forecasted financial margin;*

- *Interest on debt securities in the Bank's own portfolio: The Bank forecasts a significant increase in the exposure to Portuguese government debt, which has been initiated in March 2012 and is expected to be concluded in September 2012. The maintenance of the Portuguese government debt average yields, which currently are lower than those estimated by the Bank, will lead to a reduction*

of the projected financial margin. In this area, the Bank considers to have alternatives to offset the effects of this situation in the forecasted results for the period under review.

- The Bank forecasts an increase in impairment losses related to its loan portfolio in 2012 and 2013 and a reduction as from 2014 and until 2020 to levels below those verified in 2011 for the most relevant segments in this regard. The need to setup additional impairment losses compared to those estimated by the Bank would have a negative effect on the forecasted financial position and results of the Bank;

• international activity in Angola:

- The Bank forecasts the return arising out from its excess of liquidity in Kwanzas at interest rates which gradually approximate the forecasted inflation rate until 2015 and match the forecasted inflation as from 2016 onwards, offsetting the negative difference verified in 2011. The maintenance of the return arising out from the excess of liquidity in Kwanzas at levels lower than inflation would have a negative impact on the forecasted financial margin;

- The Bank forecasts the maintenance of the oil prices at high levels, supporting a sustained growth of the economy and the banking sector. The reduction of the oil prices would affect Angola's overall economic performance and, consequently, the financial position and results to be generated by the Bank;

- The Bank forecasts the maintenance of its market share in deposits and an increase of its market share in credit granted without a deterioration of the credit risk undertaken. The weakening of the Bank's competitive position and the need to recognize additional losses compared to those estimated would have a negative impact in the financial position and results to be generated;

- The Bank forecasts the maintenance of the overall tax burden, including the tax exemption on the return arising out from government debt securities, despite the currently undergoing Tax Reform ("Reforma Tributária"). The non-occurrence of this assumption may adversely impact the projected results for the Bank.

Our responsibility is to issue a review report on the mentioned prospective financial information, based on the review performed.

Our review has been performed in accordance with the Technical Recommendation no. 11 – Review of the Prospective Financial Information ("Recomendação Técnica nº 11 - Revisão da Informação Financeira Prospectiva") issued by the Portuguese Institute of Chartered Accountants ("Ordem dos Revisores Oficiais de Contas") and, consequently, included the procedures considered necessary to analyze the assumptions used, as well as the preparation and presentation of the prospective financial information. Notwithstanding, as mentioned before, this information also includes the effect of the future expectations of the Board of Directors, which by their subjective nature cannot be subject to confirmation. Users of this translated review report should consider that in other jurisdictions, standards and practice relevant to reviews on prospective financial information may be different and may not provide for reporting in the manner contemplated herein. Accordingly Deloitte's review report should not be relied on as if it had been prepared in accordance with the standards and practice of any professional body in any other jurisdiction.

Based on our review of the supports to the assumptions set out by the Board of Directors of the Bank, for the material aspects, nothing has come to our attention that causes us to believe that such assumptions do not provide a reasonable basis for the preparation of the above-mentioned prospective financial information. In our opinion, for the material aspects, the prospective financial information is duly prepared based on the assumptions that were setup and on a basis consistent with the accounting policies adopted by the Bank in the financial year of 2011. As mentioned-above, the prospective financial information is part of the data used by the Bank to determine the "ratios estimated for the BPI Group following the Recapitalization Plan", included in the section "2 - Description of the underlying reasons that led to the need of government investment support" of the Recapitalization Plan.

Since the future events frequently do not occur as expected, the actual results may be different from those forecasted and the deviations may be material. We also draw attention to the main risk factors identified by the Board of Directors on the accomplishment of the prospective financial information, which are presented in Section 8 of the document "Recapitalization Plan" prepared for the purposes set forth in the Law no. 63-A/2008, dated November 24, as amended by the Law no. 4/2012, dated January 11.

This is a translation of a report originally issued in Portuguese. In the event of discrepancies, the Portuguese language version prevails.

By translating this review report, Deloitte has no responsibility to and Deloitte did not perform any work nor consider, monitor, communicate or report any events or circumstances which may have occurred or may have come to light relating to the prospective financial information subsequent to July 4, 2012.

Lisbon, July 11, 2012

Deloitte & Associados SROC, S.A.

Representada por António Marques Dias"

Other recent developments and material information regarding the Issuer is available on the CMVM's website (www.cmvm.pt), under the section Material Information through the following link: http://web3.cmvm.pt/english/sdi2004/emitentes/emit_fact.cfm?num_ent=%23%224S%5D%0A.

BASEL RULES

Banco BPI's Basel current options are:

- Market Risk – Standard Method;
- Credit Risk – Standard Method; and
- Operational Risk – Basic Indicator.

However, there is an implementation programme, which involves different areas:

i) Risk Management Principles

Banco BPI adopted major risk principles:

- The Board has the responsibility to approve business targets, global risk profile, risk strategies, and ICAAP, as well as policies to achieve those objectives.
- These objectives must be documented in detail and implemented by each Department involved.
- The Board assures that Own Funds and Provisions are enough to cover risks involved. Own Funds are rationally affected to different activities within the Group.
- Risk function is independent and managed according to the nature, dimension and complexity of the risks involved.
- Internal reporting must be precise, coherent, transparent.
- Database and systems must be in place to assure that exposures can be measured, strategies are executed, limits are respected, internal conduct and supervision principles are followed, performance is well evaluated and control is possible.
- Independent, detailed and effective control system from both an internal perspective, and a compliance perspective, and for auditing.
- The Board will reevaluate, at least on a yearly basis, the adequacy of Corporate Governance to cope with new challenges (risk management perspective).
- Banco BPI has different alert systems for different management levels.
- The Board promotes high ethical and professional standards which have an effect on the internal control culture.
- Banco BPI promotes high transparency levels.

ii) Functional Organisational Structure

Banco BPI has several main Committees in charge of managing risks:

- Board of Directors
- “CRF” – Financial Risks Committee
- “CECA” - Executive Committee of Board of Directors
- “CERM” – Global Risk Committee
- “CERC” – Credit Committee, composed by a member of CECA, a member of the Corporate Risk Department and members of the commercial areas
- ALCO – Financial Committee, with the participation of at least one senior executive member

There are also 3 main independent divisions involved in the analysis of credit risk: DACR (global risks, statistical models) DRCP (individuals) and DRC (Corporates, Small businesses, Project Finance).

iii) Internal Rules

With the implementation of Basel II, all major internal risk rules were revised to adopt new concepts: Probability of Default (“PD”), Loss Given Default “LGD”, Exposure at Default (“EAD”), and to allow for the integration of Scorings and Ratings in the analysis and decision process.

iv) Risk DataMart and Systems

Banco BPI has been improving DataBase and frontline solutions to gather the necessary information, according to Basel II needs. Risk DataMart requires constant attention to the way data is gathered, universality, adequacy, representativeness, correctness, reconciliation with accounting.

Software requires attention to several different aspects: support documentation, access control, automatization of different tasks, processing times, replicability of all the actions; friendliness to both power users and end users.

v) Reporting

Internal reporting provides information on credit, market, liquidity, country and operational risks in accordance with the characteristics defined in the Basel framework.

There is full compliance with information requirements from the Auditors and the Bank of Portugal, including Pillar 3 requirements. All important financial information is published on a semi-annual basis with most of it also released on a quarterly basis (Profit and Loss Statement, Provisions, Risk Weighted Assets, Tier I, credit concentration and funding structure).

vi) Training

New concepts have been introduced with Basel. Different training programs (including e-learning) have been defined to help the understanding of these concepts.

vii) Compliance and Auditors

Apart from the Statutory Auditor, there are internal auditors and an Internal Compliance Department. Rating and scoring models, PDs, LGDs, and all Basel calculations will be audited by independent external auditors.

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

OVERVIEW

Public Sector credit is originated at BPI by the Public Sector Department (DBI/SEE). DBI/SEE is a specialized department included in the Corporate Banking Department, mainly dedicated to the public sector entities, i.e., entities owned or controlled, directly or indirectly, by the Portuguese State.

The procedures regarding credit origination, monitoring and recovery defined for the Corporate Banking Department are also applicable to the Public Sector Department without any exception.

As at June 30th 2012, BPI's Public Sector loan portfolio amounted to EUR 2,452.1 million, including central administration, regional and local administrations, State corporate sector and other institutional entities.

ORIGINATION

DBI/SEE currently comprises 20 professionals, including management (3) and is divided in two main business units: (i) the Municipal Banking Unit, focusing on municipalities and social economy (which includes essentially not-for-profit entities) and (ii) the unit for State-owned Enterprises, covering all corporate entities directly or indirectly controlled by the State.

The Municipal Banking Unit is divided geographically in five business units (North, Centre, South and the two Autonomous Regions – Azores and Madeira).

Credit proposals are originated through BPI's direct contact with the Municipalities and State-owned enterprises. By law, to meet their funding requirements, Municipalities are required to adopt a competitive tender process with consultation to, at least, three banks.

Risk appraisal is carried out by an independent and autonomous credit risk department. Credit policy, guidelines and procedures adopted for the public corporate sector mirror those applied in the whole corporate sector of BPI, and they 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 adhere strictly to the guidelines established for the Corporate Banking Department as a whole which establish four decision making levels based on the level of exposure. Decisions on credit that may exceed an aggregate amount of EUR 2.5 million to any one borrower are collegially adopted by BPI's senior management headed by the Board member specifically responsible for the Credit Risk Department.

OPERATIONS AND SERVICING

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

Servicing procedures are mainly ensured by the Corporate Credit Area (“CCA”) of the Operations Department. Its main functions 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 – Monitoring (“**CRD – Monitoring**”), 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 monitoring structure 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 structure, the overdue credit situation is not settled by the 60th day, CRD - Monitoring 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:

Within the scope of its duties, CRD – Monitoring classifies the Corporate Banking credit portfolio based on monitoring ratings for each customer. The rating allows it to define action plans to be executed by the commercial departments. CRD – Monitoring action is based on several tools such as: an alert system, internal and external databases, the AGL system, intervention at the Commercial Department level and finally, intervention at customer level.

In addition, DBI/SEE conducts an annual review of exposures above EUR 5 million and maintains 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.

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

ISSUERS OF PUBLIC SECTOR BONDS

Public sector bonds (“*obrigações sobre o sector público*”) may be issued by credit institutions (the “**Institutions**”) legally authorised to grant credits 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 European Central Bank 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% 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% 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. 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 Regulation 8/2006, any Substitute Credit Institution appointed by the Bank of Portugal to service the cover pool following insolvency of the Institution shall: (i) immediately upon being appointed, prepare an opening balance sheet in relation to the cover pool, supplemented by the

corresponding explanatory notes; (ii) perform all acts and things necessary or convenient for the prudent management of the cover pool, including, without limitation, selling the 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 Article 52 para. 4 of the UCITS Directive as well as with Annex VI, Part 1, Paragraph 68 (a) to (f) of the Capital Requirements Directive. Accordingly, pursuant to Regulation 7/2006, a 10% risk-weight shall be applied to public sector bonds issued pursuant to the Public Sector Bonds Law.

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.

1. Public Sector Bonds not 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 26.5%, which is the final tax on that income unless the individual elects to include it in his taxable income, subject to tax at progressive rates of up to 46.5%. An additional income tax rate of 2.5% that will be due on the part of the taxable income exceeding € 153,300. In this case, the tax withheld is deemed a payment on account of the final tax due.

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 30%, 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 26.5%, 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. An income tax exemption will apply if the annual positive difference obtained with the transfer of shares and debt securities does not exceed €500. 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 subject to a 25% corporate tax rate applicable on taxable profits, which may be subject to a municipal surcharge (“*derrama municipal*”) of up to 1.5% over their taxable profits. A State Surcharge (“*derrama estadual*”) rate will be of 3% due on the part of the taxable profits exceeding € 1,500,000 up to € 10,000,000 and of 5% on the part of the taxable profits exceeding € 10,000,000.

Withholding tax on interest and other investment income at a rate of 25% applies, which is deemed a payment on account of the final tax due.

Portuguese financial institutions, pension funds, retirement and/or education savings funds, share savings funds, venture capital funds incorporated under the laws in Portugal and some exempt entities are not subject to 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 30%, unless the beneficial owner of the income is disclosed, in which case the general rules will apply.

The annual positive difference between the capital gains and capital losses deriving from the sale of Public Sector Bonds or other debt securities by an investment fund created and operating under the Portuguese legislation is not subject to taxation in the Portuguese territory except whenever such gain is obtained by a mixed or closed-ended investment fund. 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 beneficial owners (individuals or legal persons) without a Portuguese permanent establishment to which the income is attributable is subject to withholding tax at a rate of 25% (in the case of individuals or legal persons), 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%, 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*) 4743-A/2008, of the Portuguese Minister of State and Finance, published in the 2nd Series of Portuguese official gazette no. 37, of 21 February, which may be available at 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%, unless the beneficial owner of the income is disclosed, in which case the general rules will apply.

A withholding tax rate of 35% 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, amended by Ministerial Order (*Portaria*) 292/2011, of 8 November 2011.

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 amended by Ministerial Order (*Portaria*) 292/2011, of 8 November 2011 (*Lista dos países, territórios e regiões com regimes de tributação privilegiada, claramente mais favoráveis*). Capital gains obtained by individuals that are not entitled to said exemption will be subject to taxation at a 26.5% flat rate. 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% 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, amended by Ministerial Order (*Portaria*) 292/2011, of 8 November 2011 (*Lista dos países, territórios e regiões com regimes de tributação privilegiada, claramente mais favoráveis*). If the exemption does not apply, the gains will be subject to corporate income tax at a rate of 25%. 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.

The annual positive difference between the capital gains and capital losses deriving from the sale of Public Sector Bonds or other debt securities by an investment fund created and operating under the Portuguese legislation is not subject to taxation in the Portuguese territory except whenever such gain is obtained by a mixed or closed-ended investment fund.

Stamp tax at a rate of 10% 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 is subject to a 25% corporate tax rate applicable on the taxable profits, which may be subject to a municipal surcharge (“*derrama municipal*”) of up to 1.5% over their taxable profits. A State Surcharge (“*derrama estadual*”) rate will be of 3% due on the part of the taxable profits exceeding € 1,500,000 up to € 10,000,000 and of 5% on the part of the taxable profits exceeding € 10,000,000. 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 Covered Bonds through gift or inheritance by a non resident legal person is subject to corporate income tax at a rate of 25% Under the tax treaties entered into by Portugal, such gains are usually not subject to Portuguese tax, but the applicable rules should be confirmed on a case by case basis.

There is no wealth or estate tax in Portugal.

2. Public Sector Bonds held through a centralised control system

The regime described in 1. above corresponds to the general tax treatment of investment income and capital gains on 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, of 7 November, as amended from time to time (“**the special regime 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 the debt securities are integrated in a centralised system recognised under the Portuguese Securities Code and complementary legislation (such as the Central de Valores Mobiliários, managed by Interbolsa), and:

- (i) the beneficial owners have no residence, head office, effective management or permanent establishment in the Portuguese territory to which the income is attributable; and
- (ii) the beneficial owners are not held, directly or indirectly, in more than 20% by Portuguese resident entities; and
- (iii) the beneficial owners are not domiciled in a country, territory or region subject to a clearly more favourable tax regime included in the list approved by the Ministerial Order 150/2004, of 13 February, amended by Ministerial Order (*Portaria*) 292/2011, of 8 November 2011, except if they are central banks and governmental agencies.

The special regime approved by Decree-law 193/2005 sets out the detailed rules and procedures to be followed on the 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 Covered Bonds), and prior to the transfer of Covered 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 (ii) or (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 or governmental agencies the respective proof of non-residence in Portuguese territory is provided just once, its periodical renewal not being necessary.

(b) Internationally Cleared 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 recognised by the Minister of Finance (such as Euroclear or Clearstream, Luxembourg) and the management entity of such international clearing system undertakes not to provide registration

services to (i) residents for tax purposes in Portugal which do not benefit from either an exemption from Portuguese taxation or an exemption from Portuguese withholding tax, and (ii) non resident entities for tax purposes which do not benefit from the above Portuguese income tax exemption, special rules apply under which proof of the requirements to benefit from the exemption will be made through documents provided by the participants to the direct register entity through the international clearing system managing entity. These documents must take into account the total accounts under their management regarding each beneficial owner of Covered Bonds that are tax exempt or benefit from an exemption from Portuguese withholding tax.

The relevant procedures are as follows:

(i) Filing a certificate, on a yearly basis, with the name of each beneficial owner, address, taxpayer number (if applicable), specification of the securities held and the legal basis for the exemption from taxation or from Portuguese withholding tax. Annex 1 to this Base Prospectus corresponds to the current form (English version) for these purposes and was approved by Order (*Despacho*) 4980/2006, of the Portuguese Minister of Finance and Public Administration, published in 2nd Series of Portuguese official gazette no. 45, of 3 March, which may be available at www.portaldasfinancas.gov.pt.

(ii) Alternatively, filing a yearly declaration that states that the beneficial owners are exempt or not subject to withholding tax. This declaration is complemented with a disclosure list, on each coupon payment date stating the beneficial owners' names, addresses, taxpayer numbers (if applicable), quantity held, and the legal basis for the exemption from taxation or from Portuguese withholding tax. Annex 2 to this Base Prospectus corresponds to the current form (English version) for these purposes and was approved by Notice (*Aviso*) 3714/2006, of the Portuguese Secretary of State for Tax Affairs, published in 2nd Series of Portuguese official gazette no. 59, of 23 March, which may be available at www.portaldasfinancas.gov.pt.

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

No Portuguese exemption shall apply at source under the special regime approved by Decree-law 193/2005 if the above rules and procedures are not complied with. Accordingly, the general Portuguese tax provisions shall apply as described above. This will be the case whenever the Covered Bonds are not integrated in *Central de Valores Mobiliários* (which is managed by Interbolsa) or in any other centralised depository system for securities recognised under the Portuguese Securities Code and complementary legislation.

If the conditions for the exemption to apply are met, but, due to inaccurate or insufficient information, tax was withheld, a special refund procedure is available under the special regime approved by Decree-law 193/2005. The refund claim is to be submitted to the direct or indirect register entity of the Covered Bonds within 90 days from the date the withholding took place. A special tax form for these purposes was approved by Order (*Despacho*) 4980/2006, of the Portuguese Minister of Finance and Public Administration, published in 2nd Series of Portuguese official gazette no. 45, of 3 March, which may be available at www.portaldasfinancas.gov.pt.

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

CERTIFICATE FOR EXEMPTION FROM PORTUGUESE WITHHOLDING TAX ON INCOME ARISING FROM DEBT SECURITIES (PARAGRAPH 1 OF ARTICLE 17 OF THE SPECIAL TAX REGIME APPROVED BY THE DECREE-LAW NO. 193/2005, OF 7 NOVEMBER 2005)

The undersigned Participant hereby declares that he holds debt securities covered by the special tax regime approved by Decree-Law 193/2005, of 7 November 2005 (the “**Securities**”), in the following

securities account number (the “Account”) with.....(name and complete address of the international clearing system managing entity).

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

1. We are:

Name:

Residence for tax purposes (full address):

Tax ID Number:

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

A. We are the beneficial owner of the following Securities:

Security ISIN or Common Code	Security description	Nominal position

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

- Decree-Law no. 193/2005, of 7 November 2005
- Art. 97 of CIRC (“Corporate Income Tax Code”) – Exemption from withholding tax

B. We are intermediaries of the following Securities:

Security ISIN or Common Code	Security description	Nominal position

which are held on behalf of:

Name:

Residence for tax purposes (full address):

Tax ID Number:

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

3. We hereby undertake to provide the (name of the international clearing system managing entity) with a document evidencing the exemption from personal or corporate income withholding tax referred in the attached statement of beneficial ownership, whenever the beneficial owner is not a central bank, public institution, international body, credit institution, financing company, pensions fund and insurance company resident in any OECD country or in a country with which Portugal has entered into a Convention for the Avoidance of International Double Taxation, on behalf of which we hold Portuguese debt securities in the Account.

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

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

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

PLACE: _____

DATE: _____

Authorised Signatory

Name

Title/Position

Authorised Signatory

Name

Title/Position

APPENDIX
STATEMENT OF BENEFICIAL OWNERSHIP

The undersigned beneficiary:

- Name:
- Address:
- Tax ID number:

Holding via the following financial intermediary:

- Name of the financial intermediary:
- Account number:

The following securities:

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

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

- Decree-Law no. 193/2005, of 7 November 2005.....
- Art. 97 of CIRC (“*Corporate Income Tax Code*”) – Exemption from withholding tax.....
- Art. 9 of CIRC – State, Autonomous Regions, local authorities, their associations governed by public law and social security federations and institutions
- Art. 10 of CIRC – General Public Interest Companies, Charities and other non-governmental social entities; exemption by Ministerial Regulation no., published in *Diário da República*
- Art. 16 of EBF (“*Tax Incentives Statute*”) – Pension Funds and assimilated funds.....
- Art. 21 of EBF – Retirement Savings Funds (FPR), Education Savings Funds (FPE), Retirement and Education Savings Funds (FPR/E)
- Art. 23 - A of EBF – Venture Capital Investment Funds.....
- Art. 26 of EBF – Stock Savings Funds (FPA)
- Other legislation (please give details)

This document is to be provided to the Portuguese tax authorities, upon request, pursuant to Article 17 of the Special Tax Regime approved by the Decree-Law no. 193/2005, of 7 November 2005.

Authorised signatory:

Name:

Title:

Signature:

- (ii) Alternatively, through a yearly declaration that states that the beneficial owners are exempt or not subject to withholding tax. This declaration is complemented with a disclosure list, on each coupon payment date, of each beneficial owner's identification, with address, tax payer number (if applicable), security identification, quantity held, and the reference to the legislation supporting either the tax exemption or the exemption of the withholding tax. The following corresponds to the wording and contents of the form of certificate for exemption from Portuguese withholding tax on income from debt securities, as contained in Regulatory Notice ("Aviso") n. 3714/2006 (second series), published in the official diary, second series, no 59, of 23 March 2006 issued by the Portuguese Secretary of State of Tax Affairs (currently "*Secretário de Estado dos Assuntos Fiscais*")

STATEMENT FOR EXEMPTION FROM PORTUGUESE WITHOLDING TAX ON INCOME ARISING FROM DEBT SECURITIES (PARAGRAPH 2 OF ARTICLE 17 OF THE SPECIAL TAX REGIME APPROVED BY THE DECREE-LAW NO. 193/2005, OF 7 NOVEMBER 2005)

The undersigned participant hereby declares that he holds or will hold debt securities in accordance with the special tax regime approved by the Decree-Law no. 193/2005, of 7 November 2005 (the “**Securities**”), in the following securities account number.....(the “**Account**”) with..... (name and complete address of the international clearing system managing entity).

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

1. We are:

Name:

Residence for tax purposes (full address):

Tax ID Number:

2. We hereby undertake to provide the (name of the international clearing system managing entity) with a list of beneficial owners at each relevant record date containing the name, residence for tax purposes, Tax Identification Number and nominal position of Portuguese debt Securities for each beneficial owner, including ourselves if relevant, on behalf of which we hold or will hold Portuguese debt securities in the Account.

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

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

5. This certificate is valid for a period of twelve months as from the date of signature.

PLACE: _____

DATE: _____

Authorised Signatory

Name

Title/Position

Authorised Signatory

Name

Title/Position

APPENDIX
LIST OF BENEFICIAL OWNERS

For:

Interest due ___/___/___

Security code (ISIN or Common Code): _____

Securities description: _____

Securities Clearance Account Number: _____

We certify that the above Securities are held on behalf of the following beneficial owners:

Name	Tax identification number	Residence for tax purposes	Quantity of securities	Legal basis of the exemption from withholding tax	
				Code (*)	Legislation (**)

(*) Please indicate the legal basis for the exemption from withholding tax to apply:

Code	Legal basis of the exemption
1	Decree-Law no. 193/2005, of 7 November 2005
2	Art. 97 of CIRC (<i>Corporate Income Tax Code</i>) – Exemption from withholding tax
3	Art. 9 of CIRC – State, Autonomous Regions, local authorities, their associations governed by public law and social security federations and institutions
4	Art. 10 of CIRC – General Public Interest Companies, Charities and other non-governmental social entities
5	Art. 16 of EBF (<i>Tax Incentives Statute</i>) – Pension Funds and assimilated funds
6	Art. 21 of EBF – Retirement Savings Funds (FPR), Education Savings Funds (FPE), Retirement and Education Savings Funds (FPR/E)
7	Art. 23 - A of EBF – Venture Capital Investment Funds
8	Art. 26 of EBF – Stock Savings Funds (FPA)
9	Other legislation

(**) This column must be filled out when the code “9” is indicated in the previous column.

The two documents referred to in (i) or (ii) above shall be provided by the participants (i.e. the entity that operates in the international clearing system) to the direct register entity through the international clearing system managing entity and must take into account the total accounts under their management regarding each holder of Public Sector Bonds that are tax exempt or benefit from a waiver of Portuguese withholding tax.

EU Savings Directive

Under EC Council Directive no. 2003/48/EC, of 3 June 2003, on taxation of savings income in the form of interest payments, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries).

The European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Public Sector Bonds as a result of the imposition of such withholding tax. The Issuer is required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the Directive.

A number of non-EU countries and certain dependent or associated territories of certain Member States have agreed to adopt similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident in a Member State. In addition, the Member States have entered into reciprocal provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident in one of those territories.

Portugal has implemented the above Directive on taxation of savings income in the form of interest payments into the Portuguese law through Decree-Law no. 62/2005, of 11 March 2005, as amended from time to time.

SUBSCRIPTION AND SALE AND SECONDARY MARKET ARRANGEMENTS

The Dealers have, in the Programme Agreement dated 19 June, 2008, agreed with the Issuer a basis upon which they or any of them 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 Dealers for certain of their 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 Dealers against certain liabilities incurred by them in connection therewith.

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

United States

The Public Sector Bonds have not been and will not be registered under the Securities Act, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S. The Public Sector Bonds are initially being offered and sold only outside the United States in reliance on Regulation S.

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

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

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

Japan

The Public Sector Bonds have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (the Law no. 25 of 1948, as amended, the “**FIEL**”). Accordingly, each of the Dealers has agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Public Sector Bonds in Japan or to, or for the benefit of, any resident of Japan or to others for re-offering or re-sale, directly or indirectly, in Japan to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with the FIEL and other relevant laws and regulations of Japan. As used in this paragraph, “resident of Japan” means any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

United Kingdom

Each Dealer represents, warrants and agrees that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the 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 the Public Sector Bonds has not been registered pursuant to Italian securities legislation and, accordingly, no Public Sector Bonds may be offered, sold or delivered, nor may copies of this Base Prospectus or of any other document relating to the Public Sector Bonds be distributed in the Republic of Italy, except:

- (i) to professional investors (“*investitori qualificati*”) as defined in Article 100 of the Legislative Decree no. 58, of 24 February 1998, as amended (the “**Financial Services Act**”) and the relevant implementing CONSOB (the Italian Securities Exchange Commission) regulations, as amended from time to time, and Article 2 of Directive 2003/71/EC, of 4 November, as amended from time to time; or
- (ii) in other circumstances which are exempted from the rules on a solicitation of investments pursuant to Article 100 of the Financial Services Act and Article 33, first paragraph, of CONSOB Regulation no. 11971, of 14 May 1999, as amended from time to time.

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 Services Act, CONSOB Regulation no. 16910, of 29 October 2007 (as amended from time to time) and Legislative Decree no. 385, of 1 September 1993, as amended (the “**Banking Act**”);
- (b) in compliance with Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy as amended from time to time, pursuant to which Bank of Italy may request information on the issue or the offer of securities in the Republic of Italy; and
- (c) in accordance with any other applicable laws and regulations or requirement imposed by CONSOB or other Italian authority.

Public Offer Selling Restrictions under the Prospectus Directive

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

- (B) at any time to legal entity which is a qualified investor as defined in the Prospectus Directive;
- (C) at any time to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150 natural or legal persons (other than qualified

investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(D) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an “**offer of Public Sector Bonds to the public**” in relation to any Public Sector Bonds in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Public Sector Bonds to be offered so as to enable an investor to decide to purchase or subscribe for the Public Sector Bonds, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression Prospectus Directive means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented by the Relevant Member State) and includes any relevant implementing measure in each Relevant Member State and the expression “**2010 PD Amending Directive**” means Directive 2010/73/EU of the European Parliament and of the Council of 24 November 2010.

Portugal

In relation to the Public Sector Bonds, each Dealer represents and agrees with the Issuer, and each further Dealer appointed under the Programme will be required to represent and agree, that, except as permitted by the Programme Agreement: (i) it has not directly or indirectly taken any action or offered, advertised, 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 Portuguese territory, as the case may be; (ii) 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*”); (iii) it has not distributed, made available or caused to be distributed and will not distribute, make available or cause to be distributed the Base Prospectus or any other offering material relating to the Public Sector Bonds to the public in Portugal; (iv) if the Public Sector Bonds are subject to a private placement addressed exclusively to qualified investors (“*investidores qualificados*”), such private placement will be considered as a private placement of securities pursuant to the Portuguese Securities Code; (v) private placements addressed by companies open to public investment (“*sociedades abertas*”) or by companies issuing securities listed on a market shall be notified to the CMVM for statistics purposes; (vi) it will comply with all applicable provisions of the Portuguese Securities Code and any applicable CMVM Regulations and all relevant Portuguese laws and regulations, in any such case that may be applicable to it in respect of any offer or sale of Public Sector Bonds by it in Portugal or to individuals or entities resident in Portugal or having permanent establishment located in Portuguese territory, as the case may be; notably, each Dealer has represented and agreed that it shall at all times comply with all applicable laws and regulations in force in Portugal, including (without limitation) the Portuguese Securities Code, the CMVM Regulations and the Prospectus Regulation implementing the Prospectus Directive, regarding the placement of any Public Sector Bonds in Portugal or to individuals or entities resident in Portugal or having permanent establishment located in Portuguese territory, as the case may be, including the publication of a Base Prospectus, when applicable, and that such placement shall only be authorised and performed to the extent that there is full compliance with such laws and regulations.

Without prejudice to the above, on 4 May 2012 CMVM launched a public consultation (*consulta pública*) on the preliminary draft of the decree-law that will transpose into the Portuguese legal framework the 2010 PD Amending Directive. Accordingly, rules in respect of public offerings of

securities are likely to change in a near future, although it is at this stage uncertain the exact scope of those variations and when will the same enter into force.

On 13 July 2012 CMVM released a generic opinion on the application of the 2010 PD Amending Directive in Portugal as from 1 July 2012, considering the vertical direct effect of directives after its implementation deadline, in accordance with which certain effects under such Directive vis-à-vis CMVM shall be deemed to apply in the Portuguese jurisdiction as from such date while the implementation of that Directive in Portugal is pending.

The above public consultation documents and the generic opinion may be found at www.cmvm.pt.

General

These selling restrictions may be modified by the agreement of the Issuer and the Dealers following a change in a relevant law, regulation or directive.

No action has been taken in any jurisdiction that would permit a public offering of any of the 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.

Each 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 therefor.

Secondary Market Arrangements

The Issuer may enter into agreements with Dealers or other persons in relation to a Tranche or Series of Public Sector Bonds whereby such Dealers 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 a resolution of the Board of Directors of the Issuer dated 22 April 2008 and by a resolution of the Executive Committee of the Board of Directors of the Issuer dated 13 May 2008, in accordance with the provisions of the Public Sector Bonds Law.

Listing

Application has been made to list the Public Sector Bonds on the regulated market Euronext Lisbon.

Clearing Systems

The Public Sector Bonds have been accepted for clearance through either Interbolsa or Euroclear and/or Clearstream Luxembourg, as specified in the applicable Final Terms. The appropriate Common Code and ISIN for each Tranche of Public Sector Bonds allocated by either Interbolsa or Euroclear and Clearstream, Luxembourg (as applicable) 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

Save as disclosed in this Base Prospectus, there has been no significant change in the financial or trading position of the Issuer since 31 December 2011, and there has been no material adverse change in the financial position or prospectus of the Issuer since 31 December 2011.

Litigation

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

Accounts

Deloitte & Associados SROC, S.A., associated with Ordem dos Revisores Oficiais de Contas ("**OROC**") under nr. 43 and registered with Comissão do Mercado de Valores Mobiliários ("**CMVM**") under nr. 231, have audited the accounts of Banco BPI, S.A. in accordance with generally accepted auditing standards in Portugal for the year ended 31 December 2009, for the year ended 31 December 2010 and for the year ended 31 December 2011.

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 constitutional documents (including the by-laws together with an English translation thereof) of the Issuer;
- (b) the audited consolidated financial statements of the Issuer (together with an English translation thereof) in respect of the financial years ended 31 December 2009, 31 December 2010 and 31 December 2011;

- (c) the most recently published audited annual consolidated financial statements of the Issuer and the most recently published unaudited interim consolidated financial statements (if any) of the Issuer (together with an English translation thereof);
- (d) the Programme Agreement dated 19 June 2008, as amended
- (e) the Agency and Payments Procedures as amended ;
- (f) the Common Representative Appointment Agreement as amended;
- (g) this Base Prospectus as supplemented from time to time;
- (h) the 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 Directive 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) to this Base Prospectus and any other documents incorporated herein or therein by reference.

Electronic copy of this Base Prospectus

Electronic copies of this Base Prospectus (and any supplements thereto) are available from the official website of the Issuer (www.bancobpi.pt) and the official website of the CMVM (www.cmvm.pt).

Post issuance reporting

The Issuer does not intend to provide post-issuance transaction information regarding Public Sector Bonds to be admitted to trading and the performance of the underlying collateral.

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 encumbrances or guarantees the benefit of which is vested in the Issuer as security for the repayment of a Public Sector Credit.

“**Agency and Payments Procedures**” means the set of agency and payments procedures (such agency and payments procedures as amended and/or supplemented and/or restated from time to time) dated 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, agent bank and/or registrar appointed by the Issuer.

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

“**Arranger**” means Banco BPI, S.A..

“**Auditor**” means Deloitte & Associados – SROC, S.A., member of the Portuguese Institute of Statutory Auditors (“*Ordem dos Revisores Oficiais de Contas*”), registered with the CMVM with registration number 231, with registered office at Edifício Atrium Saldanha, Praça Duque de Saldanha, 1 – 6th, 1050-094, Lisbon.

“**Bank of Portugal Regulations**” means the secondary legislation passed by the Bank of Portugal regulating certain aspects of the Public Sector Bonds Law, namely, Regulation 6/2006, Instruction 13/2006, Regulation 7/2006 and Regulation 8/2006 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 19 June, 2008 prepared in connection with the Programme, as supplemented on 25 June 2009, on 19 August 2010, on 4 November 2010 and on 17th October 2012.

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

“**BPI**” means Banco BPI, S.A.

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

“**Capital Requirements Directive**” comprises Directive no. 2006/48/EC, of the European Parliament and of the Council, of 14 June 2006, relating to the taking up and pursuit of the business of credit institutions (recast) and Directive no. 2006/49/EC, of the European Parliament and of the Council, of 14 June 2006, on the capital adequacy of investment firms and credit institutions (recast), both as amended from time to time.

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

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

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

“**Collateralisation Percentage**” means 107% 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%.

“**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 55 Moorgate, London EC2R 6PA, 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”.

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

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

“**Cover Pool**” means the pool of assets maintained by the Issuer and allocated to the issue of 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 Deloitte & Associados – SROC, S.A., member of the Portuguese Institute of Statutory Auditors (“*Ordem dos Revisores Oficiais de Contas*”), registered with the CMVM with registration number 231, with registered office at Edifício Atrium Saldanha, Praça Duque de Saldanha, 1 – 6th, 1050-094, Lisbon.

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

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

“**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:

"Y₁" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y₂" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M₁" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M₂" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D₁" is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D₁ will be 30; and

"D₂" 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 D₁ is greater than 29, in which case D₂ 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:

"Y₁" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y₂" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M₁" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M₂" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D₁" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D₁ will be 30; and

"D₂" 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 D₂ 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:

"Y₁" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y₂" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M₁" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M₂" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D₁" 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 D₁ will be 30; and

"D₂" 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 D₂ will be 30.

“**Dealer**” means Banco BPI, S.A. and any other dealers appointed from time to time by the Issuer in accordance with the Programme Agreement and “**Dealers**” shall be construed accordingly.

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

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

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

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

“**Distribution Compliance Period**” means, in respect of 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).

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

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

“**EU**” means the European Union.

“**Euro**”, “**EUR**”, “**€**” or “**euro**” means the lawful currency of Member States of the European Union that adopt the single currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No. 974/98 of 3 May 1998 on the introduction of the euro, as amended..

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

“**Euronext Lisbon**” means the regulated market of Euronext, the official quotation market (“*Mercado de Cotações Oficiais*”) in Portugal.

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

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

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

“**Final Settlement Date**” means the date which the financial settlement becomes definitive and irrevocable after the Bank of Portugal’s confirmation to Interbolsa.

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

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

“**Global Public Sector Bond**” means any global public sector bond (whether temporary or permanent, if applicable).

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

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

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

“**Instruction 13/2006**” means the regulatory instruction (“*Instrução*”) no. 13/2006 issued by the Bank of Portugal relating to certain information duties applicable in relation to the issue of 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 operator of the Central de Valores Mobiliários.

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

“**Interest Amount**” means, as applicable, the amount of interest payable on the Floating Rate Public Sector Bonds or Index Linked Interest 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.

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

“**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.

“**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 Hedge Contracts.

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

“**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.

“**Permanent Bearer Global Public Sector Bond**” means any Public Sector Bond issued in the form of a permanent bearer global public sector bond.

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

“**Portuguese Securities Code**” means Decree-Law no. 486/99, of 13 November 1999, 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 Directive**” means Directive no. 2003/71/EC, of the European Parliament and of the Council, of 4 November 2003, and amendments thereto, including Directive 2010/73/EU, to the extent implemented in the Relevant Member State.

“**Prospectus Regulation**” means Commission Regulation (EC) no. 809/2004, of 29 April 2004.

“**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 2006, 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**” means the then current rating of rated Public Sector Bonds given by the relevant Rating Agency and “**Ratings**” means all of such Ratings;

“**Rating Agency**” means S&P and any other rating agencies appointed from time to time by the Issuer in accordance with the Programme Documents and “**Rating Agencies**” shall be construed accordingly.

“**Receipts**” means the principal receipts related to the Definitive Bearer Public Sector Bonds.

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

“**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 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.

“**Regulation 7/2006**” means the regulatory notice (“*Aviso*”) no. 7/2006 issued by the Bank of Portugal and published on 11 October 2006, relating to the weighting coefficient applicable to the ownership of public sector bonds issued in accordance with the Public Sector Bonds Law.

“**Regulation 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.

“**Regulation S**” means Regulation S under the Securities Act.

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

“**Reserved Matter**” means any proposal: (i) to change any date fixed for payment of principal or interest in respect of the 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.

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

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

“**Series**” means a Tranche of 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.

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

“**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.

“**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 in this Agreement 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.

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

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

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

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

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

“**Tax Authority**” means any government, state, municipal, local, federal or other fiscal, revenue, customs or excise authority, body or official anywhere in the world exercising a fiscal, revenue, customs or excise function.

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

“**Temporary Bearer Global Public Sector Bond**” means any Public Sector Bond issued in the form of a temporary bearer global public sector bond.

“**Terms and Conditions**” means in relation to the Public Sector Bonds, the terms and conditions to be endorsed on 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 “**U.S. dollars**” means United States dollars, the lawful currency of the United States of America.

“**UCITS Directive**” means Directive no. 2009/65/EC, of the European Parliament and of the Council, of 13th July 2009, 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.

REGISTERED OFFICE OF THE ISSUER

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Porto
Portugal

ARRANGER

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COVER POOL MONITOR

Deloitte & Associados, SROC S.A.

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AUDITORS

To Banco BPI, S.A.

Deloitte & Associados, SROC S.A.

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as to Portuguese law

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