



**BANCO BPI, S.A.**  
(incorporated with limited liability in Portugal)

**€7,000,000,000 COVERED BONDS PROGRAMME**  
**BASE PROSPECTUS**

Banco BPI, S.A. (the “**Issuer**” or “**BPI**”) is an authorised credit institution for the purposes of Decree-Law no. 59/2006, of 20 March 2006 (as amended, the “**Covered Bonds Law**”). The Covered Bonds (as defined below) will constitute mortgage covered bonds for the purposes, and with the benefit, of the Covered Bonds Law.

Under this € 7,000,000,000 Covered Bonds Programme (the “**Programme**”), the Issuer may from time to time issue mortgage covered bonds (the “**Covered Bonds**”) denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below).

Covered Bonds may be issued in bearer form (the “**Bearer Covered Bonds**”) or, except for Covered Bonds intended to be issued in new global note (“**NGN**”) form, registered form (respectively, the “**Bearer Covered Bonds**” and the “**Registered Covered Bonds**”) and be represented in book-entry form or in NGN form. The maximum aggregate nominal amount of all Covered Bonds from time to time outstanding under the Programme will not exceed € 7,000,000,000 (or its equivalent in other currencies calculated as described herein), subject to increase as described herein. Covered Bonds may be issued on a continuing basis to one or more of the Dealers specified under *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 Covered Bonds being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to purchase such Covered Bonds.

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

This document comprises a base prospectus (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**”), 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 Covered Bonds of the Issuer under the Programme until no more Covered 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 Covered Bonds issued under the Programme to trading on the regulated market Eurolist by Euronext Lisbon, the official quotation market (“*Mercado de Cotações Oficiais*”) in Portugal (“**Eurolist by 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 21 April 2004 on markets in financial instruments. References in this Base Prospectus to Covered Bonds being “listed” (and all related references) shall mean that such Covered Bonds have been admitted to trading on Eurolist by Euronext Lisbon or other regulated market. The Programme provides that Covered Bonds may be listed or admitted to trading, as the case may be, on such other stock exchange(s) or markets (including regulated markets) as may be agreed between the Issuer and the relevant Dealer. The Issuer may also issue unlisted Covered Bonds and/or Covered Bonds not admitted to trading on any market.

**Arrangers**

Société Générale Corporate & Investment Banking  
UniCredit (HVB)

**Dealers**

ABN AMRO	Banco BPI
Barclays Capital	BNP PARIBAS
CALYON Crédit Agricole CIB	Citi
Credit Suisse	Deutsche Bank Aktiengesellschaft
Dresdner Kleinwort	DZ BANK AG
HSBC	”la Caixa”
Landesbank Baden-Württemberg	Lehman Brothers
Merrill Lynch International	Natixis

Nomura International  
UBS Investment Bank

Société Générale  
UniCredit (HVB)

The date of this Base Prospectus is 30 April 2008.

## 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 Covered Bonds, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer, as well as of the features and characteristics of the Covered Bonds.

The format and contents of this Base Prospectus comply with the relevant provisions of the Prospectus Directive, 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, the entities and persons referred to below accept responsibility for the information contained in this Base Prospectus, subject to the qualifications below. Each of such entities and persons hereby declare that, to the best of their knowledge (having taken all reasonable care to ensure that such is the case), the information contained in this Base Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

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*) 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.

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**”), hereby declares that it has audited and expressed an opinion on the financial statements of the Issuer for the financial years ended 31 December 2005, 31 December 2006 and 31 December 2007 (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 Covered Bonds should be based on a consideration of this Base Prospectus as a whole, including those documents incorporated by reference.

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 Covered Bonds and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Arrangers (as defined in *Definitions*), the Common Representative (as defined under *General Description of the Programme*) or any of the Dealers. Neither the delivery of this Base Prospectus nor 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 Covered 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 Covered Bonds or an offer to sell or a solicitation of any offer to buy any Covered 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 Covered Bonds may be restricted by law in certain jurisdictions. The Issuer, the Arrangers and the Dealers do not represent that this Base Prospectus may be lawfully distributed, or that any Covered Bonds may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Arrangers or the Dealers (save for application for approval by the CMVM - 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 Covered Bonds outside the European Economic Area (“EEA”) or distribution of this document in any jurisdiction where action for that purpose is required. Accordingly, no Covered 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 Covered 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 Covered Bonds. In particular, there are restrictions on the distribution of this Base Prospectus and the offer or sale of Covered Bonds in the United States, the United Kingdom, the EEA, Japan, Republic of Italy, and Portugal. See *Subscription and Sale and Secondary Market Arrangements*.

The Arrangers, the Common Representative and the Dealers have not separately verified the information contained or incorporated in this Base Prospectus. None of the Arrangers, the Common Representative or the Dealers makes any representation to any investor in the Covered 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 Arrangers, 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 Arrangers, the Common Representative or the Dealers that any recipient of this Base Prospectus or any other financial statements should purchase the Covered Bonds. Each potential purchaser of Covered Bonds should determine for itself the relevance of the information contained in this Base Prospectus and its purchase of Covered 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 Covered Bonds). None of the Arrangers, the Common Representative or the Dealers undertakes to review the financial condition or affairs of the Issuer during the life of the arrangements contemplated by this Base Prospectus nor to advise any investor or potential investor in Covered Bonds of any information coming to the attention of the Arrangers, the Common Representative or any of the Dealers.

This Base Prospectus has been prepared on the basis that, except to the extent sub-paragraph (ii) below may apply, any offer of Covered Bonds in any Member State of the EEA which has implemented the Prospectus Directive (each, a “**Relevant Member State**”) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Covered Bonds. Accordingly any person

making or intending to make an offer in that Relevant Member State of Covered Bonds which are the subject of a placement contemplated in this Base Prospectus as completed by final terms in relation to the offer of those Covered Bonds may only do so (i) in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer, or (ii) if a prospectus for such offer has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State and (in either case) published, all in accordance with the Prospectus Directive, provided that any such prospectus has subsequently been completed by final terms which specify that offers may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State and such offer is made in the period beginning and ending on the dates specified for such purpose in such prospectus or final terms, as applicable. Except to the extent sub-paragraph (ii) above may apply, neither the Issuer nor any Dealer have authorised, nor do they authorise, the making of any offer of Covered Bonds in circumstances in which an obligation arises for the Issuer or any Dealer to publish or supplement a prospectus for such offer.

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

In this Base Prospectus, unless otherwise specified or the context otherwise requires, references to “€”, “EUR” or “euro” are to the lawful currency of the Member States of the European Union that adopt the single currency introduced in accordance with the Treaty establishing the European Community (as amended), to “U.S.\$”, “USD” or “U.S. dollars” are to United States dollars, the lawful currency of the United States of America, and to “£” or “GBP” or “pounds sterling” are to pounds sterling, the lawful currency of the United Kingdom.

## TABLE OF CONTENTS

<b>General Description of the Programme</b> .....	<b>8</b>
<b>Summary of the Covered Bonds Programme</b> .....	<b>9</b>
<b>Risk Factors</b> .....	<b>17</b>
<b>Documents Incorporated by Reference</b> .....	<b>25</b>
<b>Form of the Covered Bonds and Clearing Systems</b> .....	<b>26</b>
<b>Final Terms for Covered Bonds</b> .....	<b>33</b>
<b>Terms and Conditions of the Covered Bonds</b> .....	<b>48</b>
<b>Characteristics of the Cover Pool</b> .....	<b>77</b>
<b>Insolvency of the Issuer</b> .....	<b>85</b>
<b>Common Representative of the Holders of Covered Bonds</b> .....	<b>87</b>
<b>Cover Pool Monitor</b> .....	<b>88</b>
<b>Description of the Issuer</b> .....	<b>90</b>
<b>Management, Supervisory Board and Statutory Auditor of the Issuer</b> .....	<b>107</b>
<b>The Originator's Standard Business Practices, Credit Assessment and Servicing of the Cover Pool</b> .....	<b>111</b>
<b>Use of Proceeds</b> .....	<b>114</b>
<b>The Covered Bonds Law</b> .....	<b>115</b>
<b>Taxation</b> .....	<b>121</b>
<b>Subscription and Sale and Secondary Market Arrangements</b> .....	<b>132</b>
<b>General Information</b> .....	<b>136</b>
<b>Definitions</b> .....	<b>139</b>

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

## GENERAL DESCRIPTION OF THE PROGRAMME

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

This Base Prospectus will only be valid for admitting Covered Bonds to trading on Eurolist by 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 21 April 2004, on markets in financial instruments until no more of Covered 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 Covered Bonds previously or simultaneously issued under the Programme, does not exceed € 7,000,000,000 (subject to increase in accordance with the Programme Agreement (as defined below)) or its equivalent in other currencies. For the purpose of calculating the euro equivalent of the aggregate nominal amount of Covered Bonds issued under the Programme from time to time:

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



## SUMMARY OF THE COVERED BONDS PROGRAMME

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

*Following the implementation of the relevant provisions of the Prospectus Directive in each Member State of the EEA, no civil liability will attach to the persons who have responsibility for this 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:** Covered Bonds Programme.
- PROGRAMME SIZE:** Up to € 7,000,000,000 (or its equivalent in other currencies, all calculated as described under *General Description of the Programme*) aggregate principal amount (or, in the case of Covered Bonds issued at a discount, their aggregate nominal value) of Covered Bonds outstanding at any time.
- The Issuer will have the option at any time to increase the amount of the Programme, subject to compliance with the relevant provisions of the Programme Agreement.
- ISSUER:** Banco BPI, S.A. (see *Description of the Issuer*).
- AUDITOR:** The Issuer's auditor is Deloitte & Associados – SROC, S.A., member of the Portuguese Institute of Statutory Auditors (“*Ordem dos Revisores Oficiais de Contas*”), registered with the CMVM with registration number 231, with registered office at Edifício Atrium Saldanha, Praça Duque de Saldanha, 1 – 6<sup>th</sup>, 1050-094, Lisbon.
- ARRANGERS:** Société Générale and UniCredit (HVB).
- DEALERS:** ABN AMRO Bank, N.V., London Branch; Barclays Bank PLC; Banco BPI; BNP Paribas; Calyon; Citigroup Global Markets Limited; Credit Suisse Securities (Europe) Limited; Deutsche Bank Aktiengesellschaft; Dresdner Bank Aktiengesellschaft; DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main; HSBC Bank plc; “la Caixa”; Landesbank Baden-Württemberg; Lehman Brothers International (Europe); Merrill Lynch International; Natixis; Nomura International plc; Société Générale; UBS Investment Bank and UniCredit (HVB).
- and any other Dealer(s) 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 Covered Bonds pursuant to Article 14 of the Covered Bonds Law in accordance with the Terms and Conditions and

the terms of the Common Representative Appointment Agreement, having its registered office at 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 – 6<sup>th</sup>, 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 Covered Bonds Law.

**RISK FACTORS:** There are certain factors that may affect the Issuer’s ability to fulfil its obligations under the Covered Bonds issued under the Programme. These are set out under *Risk Factors* 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 Covered Bonds issued under the Programme. These are also set out in detail under *Risk Factors* below and include, *inter alia*, the fact that the Covered Bonds Law is now being tested through the first issues of covered bonds and that no judicial decision exists with respect to the Covered Bonds Law, the dynamics of the legal and regulatory requirements, the fact that the Covered Bonds may not be suitable investments for all investors and the risks related to the structure of a particular issue of Covered Bonds.

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

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

**CERTAIN**

**RESTRICTIONS:** Each issue of Covered Bonds denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting

requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see *Subscription and Sale and Secondary Market Arrangements*).

**CURRENCIES:** Subject to compliance with relevant laws, Covered Bonds may be issued in any currency agreed between the Issuer and the relevant Dealer(s) (as set out in the applicable Final Terms) except Covered 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 Covered Bonds not denominated in euro on issue may be redenominated in euro.

**RATINGS:** Covered Bonds issued under the Programme are expected on issue to be rated Aaa by Moody's, AAA by Standard & Poor's and AAA by Fitch.

The rating from Standard & Poor's addresses the likelihood that Noteholders will receive timely payments of interest and ultimate repayment of principal at Maturity Date or Extended Maturity Date, as applicable.

The rating of Covered Bonds will not necessarily be the same as the rating applicable to the Issuer. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.

**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 Covered Bonds issued under the Programme to trading on Eurolist by Euronext Lisbon. Covered Bonds may, after notification by the CMVM to the supervision authority of the relevant Member State(s) of the European Union ("EU") in accordance with Article 18 of the Prospectus Directive, be admitted to trading on the regulated market(s) of and/or be admitted to listing on stock exchange(s) of any other Member States of the EEA. Covered Bonds which are neither listed nor admitted to trading on any market may also be issued under the Programme. The relevant Final Terms will state whether or not the relevant Covered Bonds are to be listed and/or admitted to trading and, if so, on which stock exchange(s) and/or regulated market(s).

**SELLING  
RESTRICTIONS:**

There are restrictions on the offer, sale and transfer of the Covered Bonds in the United States, Japan, the EEA, 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 Covered Bonds in a particular jurisdiction, which will be set out in the relevant Final Terms.

**UNITED STATES  
SELLING**

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

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

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

**TERMS AND CONDITIONS OF THE COVERED BONDS:** Final Terms will be prepared in respect of each Tranche of Covered Bonds, supplementing or modifying the Terms and Conditions of the Covered Bonds set out in *Terms and Conditions of the Covered Bonds*.

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

**FORM OF THE COVERED BONDS:** The Covered Bonds held through Interbolsa will be in book-entry form, either in bearer or in registered form, and thus title to such Covered Bonds will be evidenced by book entries in accordance with the provisions of the Portuguese Securities Code and the applicable CMVM regulations. No physical document of title will be issued in respect of Covered Bonds held through Interbolsa. The Covered Bonds held through Euroclear and/or Clearstream will be issued in the form of either a temporary global covered bond or a permanent global covered 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 Covered Bonds will not be exchangeable for Bearer Covered Bonds and vice versa. See *Form of the Covered Bonds and Clearing Systems*.

**TRANSFER OF COVERED BONDS:** The Covered Bonds may be transferred in accordance with the provisions of the relevant Clearing System or other central securities depository with

which the relevant Covered Bond has been deposited. The transferability of the Covered Bonds is not restricted.

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

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

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

**NEGATIVE PLEDGE:** None.

**CROSS DEFAULT:** None.

**GUARANTOR:** None.

#### **FIXED RATE**

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

#### **FLOATING RATE**

**COVERED BONDS:** Floating Rate Covered Bonds will bear interest determined separately for each Series as follows:

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

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

#### **ZERO COUPON**

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

#### **INDEX LINKED**

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

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

**EXTENDED  
MATURITY DATE:**

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

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

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

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

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

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

**DENOMINATION OF**

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

**MINIMUM**

**DENOMINATION:**

The Covered Bonds to be issued on or after the date hereof will be issued in denomination per unit equal to or higher than €1,000 (or its equivalent in another currency) as specified in the relevant Final Terms, provided that, the minimum denomination of each Covered Bond: (i) which is admitted to trading on a regulated market within the EEA or (ii) which is offered to the public in a Member State of the EEA in circumstances which would, if such minimum denomination was less than €50,000, require the publication of a prospectus under the Prospectus Directive - will be €50,000 (or if the Covered Bonds are denominated in a currency other than euro, the equivalent amount in such currency), or, if the Covered Bonds are issued in denomination per unit lower than €50,000 and admitted to a Stock Exchange in Portugal, such Covered Bonds will in any case be issued and distributed exclusively in a market which, according to its specific characteristics, can only be accessed by qualified investors pursuant to Article 30 of the Portuguese Securities Code.

**TAXATION OF THE COVERED BONDS:**

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

**THE COVERED BONDS**

**LAW:**

The Covered Bonds Law introduced into Portuguese Law a framework for the issuance of certain types of asset covered bonds. Asset covered bonds

can only be issued by (i) credit institutions for the purpose of the Credit Institutions General Regime or (ii) by special credit institutions created pursuant to the Covered Bonds Law, whose special purpose is the issue of covered bonds. The Covered Bonds Law establishes that issuers of mortgage covered bonds shall maintain a cover assets pool, comprised of mortgage credit assets and limited classes of other assets, over which the holders of the relevant covered bonds have a statutory special creditor privilege.

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

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

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



## RISK FACTORS

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

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

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

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

### **Covered Bonds are obligations of the Issuer only**

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

### **Banking Markets and Competition**

BPI, together with its consolidated subsidiaries (the “**BPI Group**”), faces intense competition in all of its areas of operation (including, among others, banking, investment banking, specialised credit and asset management). The competitors of the BPI Group in the Portuguese markets 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 shares, a process which BPI expects may continue. Competition has increased further with the emergence of non-traditional distribution channels, such as internet and telephone banking. The principal competitors of the BPI Group in the banking sector (ranking in terms of assets as of 31 December 2006) are Caixa Geral de Depósitos, the Millennium BCP Group, the Santander/Totta Group and the Banco Espírito Santo Group.

Although BPI 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.

### **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**

The BPI Group operates in a highly regulated industry. The banking activities of the BPI Group are subject to extensive regulation by the European Central Bank and the Bank of Portugal, mainly relating to liquidity levels, solvency and provisioning.

The minimum cash requirement applicable to Portuguese banks is currently fixed at 2 per cent. of the total amount of deposits. An increase in the minimum cash reserves or a decline in the rate accrued on those cash reserves would have an adverse impact on the net income of the BPI Group.

Portuguese banks are required to maintain a solvency ratio of at least 8.0 per cent. The solvency ratio is defined as Tier I capital plus Tier II capital divided by risk-weighted assets. At 31 December, 2007, the solvency ratio of the BPI Group was 9.9 per cent. The capital adequacy requirements applicable to the BPI Group 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 funds.

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 BPI Group.

### **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 or a general deterioration in Portuguese or global economic conditions, or arising from systemic risks in financial systems, could affect the recovery and value of the Issuer's assets and require an increase in the Issuer's provision for bad and doubtful debts and other provisions, and accordingly would have a material adverse effect on the Issuer's financial condition and on the results of its operations.

### **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**

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's suppliers or counterparties. Although the Issuer has implemented risk controls and loss mitigation actions, and substantial resources are devoted to developing efficient procedures and to staff training, it is not possible to implement procedures which are fully effective in controlling each of the operational risks.

### **Liquidity risk**

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

### **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.

### **Portuguese Mortgage Covered Bonds Legislation**

The Covered Bonds Law was passed in 2006 and came into effect on 20 March 2006. The protection afforded to the holders of Covered Bonds by means of the special creditor privilege on the Cover Pool is based only on the Covered Bonds Law and is now being tested through the first issues of Covered Bonds in accordance with the Covered Bonds Law.

### **Obligations under the Covered Bonds**

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

### **Extended Maturity of the Covered Bonds**

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

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

The holders of Covered Bonds issued by the Issuer under the Programme whether outstanding at the date hereof or in the future benefit from a special creditor privilege (“*privilégio creditório*”) over all assets comprised in the Cover Pool in relation to the payment of principal and interest on the Covered Bonds (See *Characteristics of the Cover Pool*). The Covered Bonds Law establishes that the Common Representative and any Hedge Counterparties at the date hereof and in the future are also preferred creditors of the Issuer which benefit from the above mentioned special creditor privilege (“*privilégio creditório*”).

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

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

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

#### **Other Assets/Hedging Contracts**

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

#### **Hedging Contracts**

Hedging contracts can be entered into exclusively to hedge risks such as interest rate risk, exchange rate risk and liquidity risk. At the date of this Base Prospectus it is intended that the Hedging Contracts will hedge the interest rate exposure with respect to the Mortgage Credits comprised in the Cover Pool as well as the interest rate exposure with respect to the Covered Bonds. The Issuer is entitled but not required to enter into hedging contracts under the Covered Bonds Law, except if the

Covered Bonds and the Cover Pool are denominated in different currencies, in which case the Issuer shall hedge any exchange rate risk coverage. See *Characteristics of the Cover Pool – Hedging Contracts*.

#### **Value of security over residential property**

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

#### **Amortisation of Mortgage Credits**

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

#### **No Due Diligence**

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

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

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

- have sufficient knowledge and experience to make a meaningful evaluation of the relevant Covered Bonds, the merits and risks of investing in the relevant Covered Bonds and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Covered Bonds and the impact such investment will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Covered Bonds, including Covered Bonds with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the currency in which such investor’s financial activities are principally denominated;
- understand thoroughly the terms of the relevant Covered Bonds and be familiar with the behaviour of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

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

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

#### **Basel Capital Requirements Directive**

The Basel Committee has issued proposals for reform of the 1988 Capital Accord and has proposed a framework which places enhanced emphasis on market discipline and sensitivity to risk. 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 Covered Bonds issued under the Programme. Potential investors in the Covered Bonds should consult their own advisers as to the consequences for them of the enactment of this new framework.

#### **EU Savings Directive**

Under EC Council Directive no. 2003/48/EC, on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State of the EU. However, for a transitional period, Belgium, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland) with effect from the same date. If a payment were to be made or collected through an EU Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Covered Bond as a result of the imposition of such withholding tax. If a withholding tax is imposed on payment made by a Paying Agent, the Issuer will be required to maintain a Paying Agent in an EU Member State that will not be obliged to withhold or deduct tax pursuant to the Directive.

#### **Change of law**

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

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

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

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

#### **The secondary market generally**

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

#### **Interest rate risks**

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

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

One or more independent credit rating agencies may assign credit ratings to the Covered Bonds. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Covered Bonds. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time. A rating agency may lower or withdraw its rating of the Covered Bonds and that action may reduce the market value of the Covered Bonds.

#### **Legal investment considerations may restrict certain investments**

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Covered Bonds are legal investments for it, (2) Covered Bonds can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Covered Bonds. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Covered Bonds under any applicable risk-based capital or similar rules.

#### **Reliance upon Interbolsa procedures and Portuguese law**

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

##### *(a) Form and Transfer of the Covered Bonds*

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

Covered Bonds will be registered in the relevant issue account opened by the Issuer with Interbolsa and will be held in control accounts by the Affiliate Members of Interbolsa on behalf of the relevant holders. Such control accounts will reflect at all times the aggregate number of Covered Bonds held in the individual securities accounts opened by the clients of the Affiliate Members of Interbolsa (which may include Euroclear and Clearstream, Luxembourg). The transfer of Covered Bonds and their beneficial interests will be made through Interbolsa.

##### *(b) Payments on Covered Bonds*

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

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

*(c) Portuguese Tax Rules*

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

If the Covered 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 Covered Bonds, and, therefore, to be eligible for the exemption, the holders of the Covered 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:

- (i) 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
- (ii) 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 Covered Bonds must seek their own advice to ensure that they comply with all procedures to ensure correct tax treatment of their Covered Bonds.

**Other Risks**

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

The Covered Bonds may fall as well as rise in value.

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

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

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



## 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 31 December 2005, 31 December 2006 and 31 December 2007, in each case together with the auditors' reports prepared in connection therewith;
- (b) the unaudited financial statements for the first quarter 2008;
- (c) the by-laws (including an English language translation thereof) of the Issuer (available at [www.bancobpi.pt](http://www.bancobpi.pt));
- (d) 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).

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](http://www.cmvm.pt), except for the by-laws of the Issuer which can be obtained from [www.bancobpi.pt](http://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 Covered Bonds, prepare a supplement to this Base Prospectus.

## FORM OF THE COVERED BONDS AND CLEARING SYSTEMS

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

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

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

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

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

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

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

The Covered Bonds have not been and will not be registered under the Securities Act and may not be offered or sold in the United States or to, or for the benefit of, US persons except in accordance with Regulation S (see *Subscription and Sale* and *Secondary Market Arrangements*). Accordingly, the Covered Bonds will only be issued outside the United States in reliance upon Regulation S under the Securities Act.

### **Covered Bonds held through Interbolsa**

#### *General*

Covered Bonds must be held through Interbolsa when the relevant issue is to be admitted to trading in a Portuguese regulated market (in particular, Eurolist by 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 covered bonds held through Interbolsa.

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

Covered Bonds held through Interbolsa will be attributed an International Securities Identification Number (“**ISIN**”) code through the codification system of Interbolsa and will be accepted for clearing through LCH.Clearnet, S.A., 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 Covered Bonds held through Interbolsa*

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

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

Each person shown in the records of an Interbolsa Participant as being the holder of certain Covered Bonds is considered to be the owner of such Covered Bonds as recorded therein.

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

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

owners of those Covered Bonds or through Euroclear and Clearstream, Luxembourg to the accounts with Euroclear and Clearstream, Luxembourg of the beneficial owners of those Covered Bonds, in accordance with the rules and procedures of Interbolsa, Euroclear or Clearstream, Luxembourg, as the case may be.

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

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

The Interbolsa Participant must 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 Covered Bonds and therefore credited in the securities accounts held by the holders of Covered 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 Covered Bonds held through Interbolsa*

Covered Bonds held through Interbolsa may, subject to compliance with all applicable rules, restrictions and requirements of Interbolsa and Portuguese law, be transferred to a person who wishes to hold such Covered Bonds. No owner of a Covered Bond will be able to transfer such Covered Bond, except in accordance with Portuguese Law and the applicable procedures of Interbolsa. Transfers of Covered Bonds represented by a Global Covered Bond within Interbolsa (if applicable) will be effected in accordance with the customary rules and operating procedures of Interbolsa applicable to book-entry securities.

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

The Covered Bonds of each Series held through Euroclear and/or Clearstream, Luxembourg will be in bearer form, with or without interest coupons attached, or, except when Covered Bonds are issued in NGN form, in registered form, without interest coupons attached. The Covered Bonds have not been and will not be registered under the Securities Act and may not be offered or sold in the United States or to, or for the benefit of, US persons except in accordance with Regulation S (see *Subscription and Sale* and *Secondary Market Arrangements*). Accordingly, the Covered Bonds will only be issued outside the United States in reliance upon Regulation S under the Securities Act.

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

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

- (i) if the Global Covered 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 Covered 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 depositary (the “**Common Depositary**”) for Euroclear and/or Clearstream.

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

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

Payments of principal, interest (if any) or any other amounts on a Permanent Bearer Global Covered Bond will be made, according to the applicable legal and regulatory requirement through Euroclear and/or Clearstream, Luxembourg (against presentation or surrender, as the case may be, of the Permanent Bearer Global Covered Bond if the Temporary Bearer Covered 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 Covered Bond will be exchangeable (free of charge), in whole but not in part, for definitive securities in bearer form with, where applicable, receipts, interest coupons and talons attached only upon the occurrence of an Exchange Event.

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

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

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

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

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

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

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

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

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

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

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

registration requesting exchange. Any such exchange shall occur not later than 10 days after the date of receipt of the first relevant notice.

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

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

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

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

*Covered Bonds issued in the NGN form*

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

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

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

Where the Covered Bond is a NGN, the Issuer shall procure that any exchange, payment, cancellation, exercise of any option or any right under the Covered Bonds, as the case may be, in addition to the circumstances set out above are entered in the records of Euroclear and/or

Clearstream and upon any such entry being made, the nominal amount of the Covered Bonds represented by such Global Covered Bond shall be adjusted accordingly.



## FINAL TERMS FOR COVERED BONDS

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

Final Terms dated [●]

### Banco BPI, S.A.

Issue of [*Aggregate Nominal Amount of Tranche*] [[●] per cent./Floating Rate/Zero Coupon] Covered Bonds due [●]  
under the € 7,000,000,000 Covered Bonds Programme

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

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

#### PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions of the Covered Bonds (the “**Terms and Conditions**”) set forth in the Base Prospectus dated 30 April 2008 [and the supplement to the Base Prospectus dated [●] 2008] which [together] constitute[s] a base prospectus for the purposes of Directive no. 2003/71/EC, of the European Parliament and of the Council of 4 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 Covered Bond described herein, as applicable. This document constitutes the Final Terms of the Covered Bonds described herein for the purposes of Article 135-C.4 of the Portuguese Securities Code, which implemented Article 5.4 of the Prospectus Directive and must be read in conjunction with such Base Prospectus [as so supplemented]. Full information on the Issuer and the offer of the Covered Bonds is only available on the basis of the combination of these Final Terms and the Base Prospectus. [The Base Prospectus [and the supplement to the Base Prospectus] [is] [are] available for viewing at Banco BPI, S.A., Rua Tenente Valadim, no. 284, Porto, and [www.bancobpi.pt](http://www.bancobpi.pt) and copies may be obtained from the same address. A copy of the Base Prospectus [and the supplement to the Base Prospectus] [is] [are] available for viewing at [www.cmvm.pt](http://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 Covered Bonds (the “**Terms and Conditions**”) set forth in the Base Prospectus dated 30 April 2008

[and the supplement to the Base Prospectus dated [●]]. The Terms and Conditions are incorporated by reference into or endorsed upon (as applicable) in each Covered Bond described herein, as applicable. This document constitutes the Final Terms of the Covered Bonds described herein for the purposes of Article 135-C.4. of the Portuguese Securities Code, which implemented Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus dated 30 April 2008 [and the supplement to the Base Prospectus dated [●]], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive, save in respect of the Terms and Conditions which are extracted from the Base Prospectus dated 30 April 2008 [and the supplement to the Base Prospectus dated [●]] and are attached hereto. Full information on the Issuer and the offer of the Covered Bonds is only available on the basis of the combination of these Final Terms and the Base Prospectus dated 30 April 2008 and [and the supplement to the Prospectus dated [●]]. [The Base Prospectus [and the supplement to the Base Prospectus] [is] [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.] A copy of the Base Prospectus [and the supplement to the Base Prospectus] [is] [are] available for viewing at www.cmvm.pt].

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

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

- |  |   |
|--|---|
| Issuer:  | Banco BPI, S.A.   |
| (i) Series Number:   | [●]   |
| (ii) [Tranche Number:  | [●]   |
|  | <i>(If fungible with an existing Series, details of that Series, including the date on which the Covered Bonds become fungible.)]</i>   |
| Specified Currency or Currencies:                            | [●]   |
| (i) Aggregate Nominal Amount of Covered Bonds:               |   |
| A. Series:   | [●]   |
| B. [Tranche:   | [●]]  |
| (ii) Specify whether Covered Bonds to be admitted to trading | [Yes (if so, specify each Series/Tranche)/No]   |
| (i) Issue Price:   | [●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] (in the case of fungible issues only, if applicable)]   |
| (ii) [Net Proceeds   | [●]]  |
| (Required only for listed issues)]                           |   |
| Specified Denominations:                                     | [●]   |
|  | <i>(N.B. Where Bearer Covered Bonds with multiple denominations above €[50,000] or equivalent are being used the following language should be used: “€[50,000] and integral multiples of €[1,000] in excess thereof up to and including €[99,000]. No Covered Bonds in definitive form will be issued with a denomination above €[99,000]”)</i> |
|  | <i>(N.B. If an issue of Notes is (i) NOT admitted to</i>  |

trading on an European Economic Area exchange; and (ii) only offered in the European Economic Area in circumstances where a prospectus is not required to be published under the Prospectus Directive the EUR 50,000 minimum denomination is not required.)

- (i) Issue Date: [●]  
(ii) [Interest Commencement Date (if different from the Issue Date): [●]]

Maturity Date: [specify date or (for Floating Rate Covered Bonds) Interest Payment Date falling in or nearest to the relevant month and year]

Extended Maturity Date: [Applicable/Not Applicable]

[insert date] [If applicable, the date should be that falling one year after the Maturity Date. If not applicable, insert "Not Applicable"].

[Extended Maturity Date must be Applicable to all issues of Covered Bonds, unless, the rating agencies which at the relevant time provide credit ratings for the Programme agree that Extended Maturity Date may be Not Applicable]

Interest Basis:

- (i) Period to (and including) Maturity Date: [[●] per cent. Fixed Rate]  
[[specify reference rate] +/- [●] per cent. Floating Rate]  
[Zero Coupon]  
[Index Linked Interest]  
[Other (specify)]  
(further particulars specified below)

- (ii) Period from (but excluding) Maturity Date up to (and including) Extended Maturity Date: [Not Applicable] /  
[[●] per cent. Fixed Rate]  
[[specify reference rate] +/- [●] per cent. Floating Rate]  
[Other (specify)]  
(further particulars specified below)  
[Insert "Not Applicable" only if Extended Maturity Date does not apply]

Redemption/Payment Basis: [Redemption at par]  
[Index Linked Redemption]  
[Instalment]  
[Other (specify)]

(N.B. If the Final Redemption Amount is other than 100 per cent. 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.)

Change of Interest or Redemption/Payment Basis [Specify details of any provision for convertibility of Covered Bonds into another interest or redemption/payment basis]

Put/Call Options:	[Investor Put] [Issuer Call] [(further particulars specified below)]
(i) Status of the Covered Bonds:	The Covered Bonds will be direct, unconditional and senior obligations of the Issuer and rank equally with all other mortgage covered bonds issued or to be issued by the Issuer. The Covered Bonds will qualify as mortgage covered bonds for the purposes of the Covered Bonds Law.
(ii) [Date [Board] approval for issuance of Covered Bonds obtained]:	[●]
Method of distribution:	[Syndicated/Non-syndicated]
Listing/Admission to Regulated Market	[Eurolist by Euronext Lisbon/ <i>specify other</i> /None]

## PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

### Fixed Rate Covered Bonds Provisions

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

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

- To Maturity Date: [●]
  - From Maturity Date up to Extended Maturity Date: [Not Applicable]/[●]  
[State “Not Applicable” unless Extended Maturity Date applies and the Covered Bonds are Floating Rate Covered Bonds after the Maturity Date.]
- (ii) Business Day Convention:
- To Maturity Date: [Floating Rate Convention/ Following Business Day Convention/ Modified Following Business Day Convention/Preceding Business Day Convention/other (give details)]
  - From Maturity Date up to Extended Maturity Date: [Not Applicable]/[Floating Rate Convention/ Following Business Day Convention/ Modified Following Business Day Convention/Preceding Business Day Convention/other (give details)]  
[State “Not Applicable” unless Extended Maturity Date applies and the Covered Bonds are Floating Rate Covered Bonds after the Maturity Date.]
- (iii) Additional Business Centre(s):
- To Maturity Date: [●]
  - From Maturity Date up to Extended Maturity Date: [Not Applicable]/ [●]  
[State “Not Applicable” unless Extended Maturity Date applies and the Covered Bonds are Floating Rate Covered Bonds after the Maturity Date.]
- (iv) Manner in which the Rate of Interest and Interest Amount is to be determined:
- To Maturity Date: [Screen Rate Determination/ISDA Determination/other (give details)]
  - From Maturity Date up to Extended Maturity Date: [Not Applicable]/ [Screen Rate Determination/ISDA Determination/other (give details)]  
[State “Not Applicable” unless Extended Maturity Date applies and the Covered Bonds are Floating Rate Covered Bonds after the Maturity Date.]
- (v) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Calculation Agent):
- To Maturity Date: [●]
  - From Maturity Date up to Extended Maturity Date: [Not Applicable]/ [●]  
[State “Not Applicable” unless Extended Maturity Date applies and the Covered Bonds are Floating Rate Covered Bonds after the Maturity Date.]
- (vi) Screen Rate Determination:
- A. To Maturity Date:
- Reference Rate: [●]
  - Interest Determination Date: [●] (Second London business day prior to start of each Interest Period if LIBOR (other than Sterling

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

- From Maturity Date up to Extended Maturity Date: [Not Applicable]/ [●] per cent. per annum [*State “Not Applicable” unless Extended Maturity Date applies and the Covered Bonds are Floating Rate Covered Bonds after the Maturity Date.*]
- (xi) Day Count Fraction:
- To Maturity Date [Actual/Actual (ISDA)  
Actual/365 (Fixed)  
Actual/365 (Sterling)  
Actual/360  
30/360  
30E/360  
30E/360 (ISDA)  
Other]  
(see Condition 4 (*Interest*) for alternatives)
  - From Maturity Date up to Extended Maturity Date: [Not Applicable]/  
[Actual/365  
Actual/365 (Fixed)  
Actual/365 (Sterling)  
Actual/360  
30/360  
30E/360  
Other] (see Condition 4 (*Interest*) for alternatives)  
[*State “Not Applicable” unless Extended Maturity Date applies and the Covered Bonds are Floating Rate Covered Bonds after the Maturity Date.*]
- (xii) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Covered Bonds, if different from those set out in the Terms and Conditions:
- To Maturity Date [●]
  - From Maturity Date up to Extended Maturity Date: [Not Applicable]/ [●]  
[*State “Not Applicable” unless Extended Maturity Date applies and the Covered Bonds are Floating Rate Covered Bonds after the Maturity Date.*]
- Index Linked Covered Bonds Provisions
- To Maturity Date: [Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
  - From Maturity Date up to Extended Maturity Date: [Applicable/Not Applicable]/ [●]  
[*State “Not Applicable” unless Extended Maturity Date applies and the Covered Bonds are Index Linked Covered Bonds after the Maturity Date.*]
- (i) Index/Formula:
- To Maturity Date: [Give or annex details]
  - From Maturity Date up to Extended Maturity Date: [Not Applicable/Give or annex details]  
[*State “Not Applicable” unless Extended Maturity*



*Date applies and the Covered Bonds are Index Linked Covered Bonds after the Maturity Date.]*

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

*Linked Covered Bonds after the Maturity Date.]*

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

## **PROVISIONS RELATING TO REDEMPTION**

- Call Option** [Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Optional Redemption Date(s): [●]
- (ii) Optional Redemption Amount(s) of each Covered Bond and method, if any, of calculation of such amount(s): [●] per Covered Bond of [●] Specified Denomination
- (iii) If redeemable in part:
- (a) Minimum Redemption Amount: [●]
  - (b) Maximum Redemption Amount: [●]
- (iv) Notice period (if other than as set out in the Terms and Conditions): [●] *(NB – If setting notice periods which are different to those provided in the Terms and Conditions, the Issuer is advised to consider the*

*practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent)*

Put Option

[Applicable/Not Applicable]

*(If not applicable, delete the remaining subparagraphs of this paragraph)*

(i) Optional Redemption Date(s):

[●]

(ii) Optional Redemption Amount(s) of each Covered Bond and method, if any, of calculation of such amount(s):

[●] per Covered Bond of [●] Specified Denomination

(iii) Notice period:

[●] *(NB – If setting notice periods which are different to those provided in the Terms and Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent)*

Final Redemption Amount of each Covered Bond

[[●] per Covered Bond of [●] Specified Denomination/Other/See Appendix]

[Early Redemption Amount of each Covered Bond payable on an event of default and/or the method of calculating the same (if required or if different from that set out in Condition 6 (*Redemption and Purchase*))]

[Applicable/Not Applicable]

## **GENERAL PROVISIONS APPLICABLE TO THE COVERED BONDS**

(a) Form of Covered Bonds:

[Bearer Covered Bonds/Exchangeable Bearer Covered Bonds/Registered Covered Bonds] *[Delete as appropriate]*

[Temporary Global Covered Bond/Certificate exchangeable for a permanent Global Covered Bond/ Certificate which is exchangeable for Definitive Covered Bonds/Certificates on [●] days' notice/at any time/in the limited circumstances specified in the permanent Global Covered Bond/Certificate] [Temporary Global Covered Bond/Certificate exchangeable for Definitive Covered Bonds/ Certificates on [●] days' notice] [Permanent Global Covered Bond/Certificate exchangeable for Definitive Covered Bonds/ Certificates on [●] days' notice/at any time/in the limited circumstances specified in the Permanent Global Covered Bond/ Certificate]

(b) New Global Notes:

[Yes/No]

Additional Financial Centre(s) or other special provisions relating to Payment Dates:

[Not Applicable/*give details*]

*(Note that this item relates to the place of payment and not Interest Period end dates to which item 17*

	<i>(iii) relates)</i>
Talons for future Coupons or Receipts to be attached to Definitive Covered Bonds (and dates on which such Talons mature):	[Yes/No. <i>If yes, give details</i> ]
Details relating to Partly Paid Covered Bonds: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Covered Bonds and interest due on late payment:	[Not Applicable/ <i>give details</i> ]
Details relating to Instalment Covered Bonds:	[Not Applicable/ <i>give details</i> ]
(i) Instalment Amount(s):	[Not Applicable/ <i>give details</i> ]
(ii) Instalment Date(s):	
Redenomination applicable:	[Applicable/Not Applicable] ( <i>if Redenomination is applicable, specify the terms of the redenomination in an Annex to the Final Terms</i> )
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> )
	[ <i>In order for withholding tax not to apply the holders of the Covered Bonds must, inter alia, deliver certain tax certifications. See Taxation section.</i> ]

## DISTRIBUTION

(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:	[●]
If non-syndicated, name of relevant Dealer:	[Not Applicable/ <i>give name and date of relevant agreement</i> ]
Whether TEFRA D or TEFRA C rules applicable or TEFRA rules not applicable:	[TEFRA D/TEFRA C/TEFRA not applicable]
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 Covered Bonds described herein pursuant to the € 7,000,000,000 Covered Bonds Programme of Banco BPI, S.A..

**RESPONSIBILITY**

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

Signed on behalf of the Issuer:

By: .....

Duly authorised

## PART B – OTHER INFORMATION

### 1 Listing

- (i) Listing: [Eurolist by Euronext Lisbon/other (specify)/None]
- (ii) Admission to trading: [Application has been made for the Covered Bonds to be admitted to trading on [Eurolist by 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

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

### 3. [Notification]

*The 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 Covered Bonds has an interest material to the offer.” – amend as appropriate if there are other interests]*

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

- [(i) Reasons for the offer [●]

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

[(ii)] Estimated net proceeds

[●]

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

[(iii)] Estimated total expenses:

[●]

## 6. [YIELD - Fixed Rate Covered Bonds only]

Indication of yield:

[●]

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

## 7. Operational Information

ISIN Code:

[●]

Common Code:

[●]

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

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

Delivery:

Delivery [against/free of] payment

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

[●]

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

[[Yes] [No]

[Note that the designation “yes” simply means that the Covered Bonds are intended upon issue to be deposited with one of Euroclear and/or Clearstream Luxembourg as common safekeeper and does not necessarily mean that the Covered Bonds will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.][include this text if “yes” selected in which case the Covered Bonds must be issued in NGN form]

## TERMS AND CONDITIONS OF THE COVERED BONDS

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

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

This Covered Bond is one of a Series (as defined below) of mortgage covered bonds issued by Banco 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 Covered Bonds are held (as specified in the applicable Final Terms), references herein to the Covered Bonds shall be references to the Covered Bonds of this Series and shall mean:

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

The Covered Bonds have the benefit of a set of agency 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 30 April 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 Covered Bonds have interest coupons (“**Coupons**”) and, if indicated in the applicable Final Terms, talons for further Coupons (“**Talon**”) attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed



to include a reference to Talons or talons. Definitive Bearer Covered Bonds repayable in instalments have receipts (“**Receipts**”) for the payment of the instalments of principal (other than the final instalment) attached on issue. Registered Covered Bonds and Global Covered Bonds do not have Coupons, Receipts or Talons attached on issue.

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

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

Copies of the 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](http://www.cmvm.pt) – and during normal business hours at the specified office of each of the Agents save that, if these Covered Bonds are unlisted, the applicable Final Terms will only be obtainable at the specified office of each of the Agents by a holder holding one or more unlisted Covered Bonds and such holder must produce evidence satisfactory to the Issuer and the relevant Agent as to its holding of such Covered Bonds and identity. The Covered Bonds holders, the Receipholders 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 Covered Bonds all the Covered Bonds issued other than:

- (a) those Covered Bonds which have been redeemed and cancelled pursuant to these Terms and Conditions;
- (b) those Covered Bonds in respect of which the date for redemption under these Terms and Conditions has occurred and the redemption moneys (including all interest (if any) accrued to the date for redemption and any interest (if any) payable under these Terms and Conditions after that date) have been duly paid to or to the order of the Agent in the manner provided in the Agency and Payments Procedures (and, where appropriate, notice to that effect has been given to the Covered Bonds holders in accordance with these Terms and Conditions) and remain available for payment against presentation of the relevant Covered Bonds and/or Receipts and/or Coupons as applicable;

- (c) those Covered Bonds which have been purchased and cancelled under these Terms and Conditions;
- (d) those Covered Bonds which have become prescribed under these Terms and Conditions;
- (e) those mutilated or defaced Covered Bonds which have been surrendered and cancelled and in respect of which replacements have been issued pursuant to these Terms and Conditions;
- (f) (for the purpose only of ascertaining the principal amount of the Covered Bonds outstanding and without prejudice to the status for any other purpose of the relevant Covered Bonds) those Covered Bonds which are alleged to have been lost, stolen or destroyed and in respect of which replacements have been issued under these Terms and Conditions;
- (g) (if applicable) a Temporary Global Covered Bond to the extent that it has been duly exchanged for the relevant Permanent Global Covered Bond and a Permanent Global Covered Bond to the extent that it has been exchanged for the Definitive Bearer Covered Bond in each case under its provisions; and
- (h) (if applicable) any Registered Global Covered Bond to the extent that it has been exchanged for Definitive Registered Covered Bonds and any Definitive Registered Covered Bond to the extent that it has been exchanged for an interest in a Registered Global Covered Bond.

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

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

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

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

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

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

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

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

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

The Covered Bonds to be issued on or after the date hereof will be issued in denomination per unit equal to or higher than €1,000 (or its equivalent in another currency) as specified in the relevant Final Terms, provided that, if the Covered Bonds are issued in denomination per unit lower than €50,000 and admitted to a Stock Exchange in Portugal, such Covered Bonds shall in any case be issued and distributed exclusively in a market which, according to its specific characteristics, can only be accessed by qualified investors, as defined in Article 30 of the Portuguese Securities Code.

Subject as set out below, title to the Bearer Covered Bonds, Receipts and Coupons will pass by delivery and title to Registered Covered Bonds will pass upon registration of transfers in accordance with the provisions of the 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 Covered Bond, Receipt or Coupon and the registered holder of any Registered Covered Bond as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Covered Bond, without prejudice to the provisions set out in the next succeeding paragraph.

## **2. TRANSFERS OF COVERED BONDS**

The transferability of the Covered Bonds is not restricted.

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

Global Covered Bond within Euroclear and Clearstream, Luxembourg will be effected in accordance with the customary rules and operating procedures of the relevant clearing system.

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

### **3. STATUS OF THE COVERED BONDS**

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

### **4. INTEREST**

#### **4.1 Interest on Fixed Rate Covered Bonds**

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

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

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

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

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

- (i) if “**Actual/Actual (ICMA)**” is specified in the applicable Final Terms:
  - (a) in the case of Covered Bonds where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the “**Accrual Period**”) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number

of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or

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

In these Terms and Conditions:

- (i) “**Determination Period**” means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date); and
- (ii) “**Principal Amount Outstanding**” means in respect of a Covered Bond the principal amount of that Covered Bond on the relevant Issue Date thereof less principal amounts received by the relevant holder of the Covered Bond in respect thereof.
- (iii) “**sub-unit**” means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, one cent.

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

##### *(A) Interest Payment Dates*

Each Floating Rate Covered Bond and Index Linked Interest Covered Bond (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 Covered Bonds*

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

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

incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Covered Bonds (the “**ISDA Definitions**”) and under which:

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

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

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

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

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

The 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 Covered Bonds is specified in the applicable Final Terms as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Covered Bonds will be determined as provided in the applicable Final Terms.

#### *Index Linked Interest Covered Bonds*

The Rate of Interest in respect of Index Linked Interest Covered Bonds (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 Covered Bonds or Index Linked Interest Covered Bonds in respect of each Specified Denomination (each an “**Interest Amount**”) for the relevant Interest Period. Each Interest Amount shall be calculated by applying the Rate of Interest to each Specified Denomination, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

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

- (i) if “**Actual/Actual (ISDA)**” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (I) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (II) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (ii) if “**Actual/365 (Fixed)**” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;
- (iii) if “**Actual/365 (Sterling)**” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (iv) if “**Actual/360**” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;
- (v) if “**30/360**”, “**360/360**” or “**Bond Basis**” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360 calculated on a formula basis as follows:

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

where:



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

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

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

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

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

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

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

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

where:

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

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

*(E) Notification of Rate of Interest and Interest Amounts*

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

*(F) Certificates to be final*

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 4.2, whether by the Agent or the Calculation Agent (if applicable) shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Agent, the other Paying Agents, any Calculation Agent, the Common Representative and all holders of Covered Bonds and (in the

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

#### **4.3 Accrual of interest**

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

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

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

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

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

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

### **5. PAYMENTS**

#### **5.1 Method of payment**

Subject as provided below:

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

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

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

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

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

## **5.3 Presentation of Definitive Bearer Covered Bonds and Coupons**

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

(B) Payments of instalments of principal (if any) in respect of Definitive Bearer Covered Bonds, other than the final instalment, will (subject as provided below) be made in the manner

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

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

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

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

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

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

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

(A) Payments of principal in respect of each Registered Covered Bond (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum

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

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

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

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

## **5.6 Payment Day**

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

- (i) for Covered Bonds held through Interbolsa, a day on which the Target System is open;
- (ii) for Covered Bonds other than Covered 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 Covered Bonds shall be deemed to include, as applicable:

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

## **6. REDEMPTION AND PURCHASE**

### **6.1 Final redemption**

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

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

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

the Covered Bonds are held through Euroclear and/or Clearstream, Luxembourg) the Covered Bonds to be redeemed (the “**Redeemed Covered Bonds**”) will be selected individually in accordance with the rules of the relevant Clearing Systems not more than 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 Covered Bonds (Put Option)**

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

### **6.4 Instalments**

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

### **6.5 Purchases**

The Issuer or any of its subsidiaries may at any time purchase or otherwise acquire Covered Bonds (provided that, in the case of Definitive Covered Bonds, all unmaturing Receipts, Coupons or Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. Such Covered 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 Covered Bonds which are redeemed will forthwith be cancelled (together – if applicable - with all unmatured Coupons, Receipts and Talons attached thereto or surrendered therewith at the time of redemption). All Covered Bonds so cancelled and any Covered Bonds purchased and surrendered for cancellation pursuant to Condition 6.5 above (together with all unmatured Coupons, Receipts and Talons cancelled therewith) shall be cancelled by Interbolsa or the Agent (as applicable) and cannot be held, reissued or resold.

## 6.7 Late payment on Zero Coupon Covered Bonds

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

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

where:

**RP** means the Reference Price; and

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

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

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

## 6.8 Extension of Maturity up to Extended Maturity Date

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

(B) If an Extended Maturity Date is specified in the applicable Final Terms as applying to a Series of Covered Bonds and the Issuer fails to redeem all of those Covered Bonds in full on the Maturity Date or within two Business Days thereafter, the maturity of the Covered Bonds and the date on which such Covered Bonds will be due and repayable for the purposes of these Terms and Conditions will be automatically extended up to but no later than the Extended Maturity Date, subject as otherwise provided for in the applicable Final Terms. In that event, the Issuer may redeem all or any part of the principal amount outstanding of the Covered Bonds on an Interest Payment Date falling in any month after the Maturity Date up to and including the Extended Maturity Date or as otherwise provided for in the applicable Final Terms. The Issuer shall give to the holders of Covered Bonds (in accordance with Condition 11(*Notices*)), the Agent and the other Paying Agents, notice of its intention to redeem all or any of the principal amount outstanding of the Covered Bonds in full at least five Business Days prior to the relevant Interest Payment Date or, as applicable, the Extended Maturity Date. Any failure by the Issuer to notify such persons shall not

affect the validity or effectiveness of any redemption by the Issuer on the relevant Interest Payment Date or as applicable, the Extended Maturity Date or give rise to rights in any such person.

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

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

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

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

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

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

## **7. TAXATION**

### **7.1. Payments free of taxes**

All payments of principal and interest in respect of the Covered Bonds (and Coupons, if applicable) shall be made free and clear of, and without withholding or deduction for, any Taxes (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 Covered Bonds in respect of any Tax Deduction made in accordance with Condition 7.1 above.

### **7.3 Taxing Jurisdiction**

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

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

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

### **8. PRESCRIPTION**

The Covered Bonds will become void unless presented for payment within 20 years (in the case of principal) and 5 years (in the case of interest) in each case from the Relevant Date 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 Covered Bonds in accordance with Condition 11 (*Notices*).

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

#### **9.1 Insolvency Event**

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

If an Insolvency Event in respect of the Issuer occurs, the holders of Covered Bonds enjoy, under the Covered Bonds Law, a special creditor privilege over the Cover Pool (including the Mortgage Credits, the Other Assets and the Hedging Contracts) with preference over any other general creditor, in relation to the repayment of principal and payment of interest due under the Covered Bonds. Pursuant to the Covered Bonds Law, 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 Covered Bonds (or the Common Representative on their behalf, provided it has been indemnified and/or secured to its satisfaction) may at any time after service of an Acceleration Notice, at its discretion and without further notice, take such proceedings against the Issuer, and/or any other person as it may deem fit to enforce the provisions of the Covered Bonds.

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

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

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

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

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

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

## **11. NOTICES**

Notices to the holders of Covered Bonds shall, in respect of the Covered Bonds listed on Eurolist by Euronext Lisbon, be published on the Euronext Lisbon bulletin and on the CMVM's information system ([www.cmvm.pt](http://www.cmvm.pt)). Furthermore, any such notice shall be disclosed by any further means required to allow a fast access by all holders of Covered 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 Covered Bonds deposited with a common depositary 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 Covered Bonds on the date of delivery to Euroclear and Clearstream, Luxembourg and, in addition, for so long as Covered Bonds are listed on a stock exchange and the rules of that stock exchange (or any other relevant authority) so require, such notice will be published in a daily newspaper of general circulation in the place or places required by that stock exchange (or any other relevant authority).

## **12. MEETINGS OF HOLDERS OF COVERED BONDS**

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

(B) The quorum at any meeting convened to vote on: (i) a Resolution not regarding a Reserved Matter will be any person or persons holding or representing whatever the Principal Amount Outstanding of the Covered Bonds then outstanding; or (ii) a Resolution regarding a Reserved Matter of the Covered Bonds, will be any person or persons holding or representing at least 50 per cent. of the Principal Amount Outstanding of the Covered Bonds then outstanding so held or represented or, at any adjourned meeting, any person being or representing whatever the Principal Amount Outstanding of the Covered Bonds then outstanding. Each Covered Bond grants its holder one vote. For the sake of clarity, in relation to any Covered Bonds represented by a Global Covered 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 per cent. of the Principal Amount Outstanding of the Covered Bonds then outstanding or, at any adjourned meeting 2/3 of the votes cast at the relevant meeting.

For the purposes of these Terms and Conditions, a “**Reserved Matter**” means any proposal: (i) to change any date fixed for payment of principal or interest in respect of the Covered Bonds of all or of a given Series, (ii) to reduce the amount of principal or interest due on any date in respect of the Covered Bonds of all or of a given Series or to alter the method of calculating the amount of any payment in respect of the Covered Bonds of all or of a given Series on redemption or maturity; (iii) to effect the exchange, substitution or conversion of the Covered Bonds of all or of a given Series into shares, bonds or other obligations or securities of the Issuer or any other person or body corporate formed or to be formed; (iv) to change the currency in which amounts due in respect of the Covered Bonds of all or of a given Series are payable; (v) to alter the priority of payment of interest or principal in respect of the Covered Bonds of all or of a given Series; (vi) 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 Covered Bonds of a Series shall, subject as provided below, be binding on all the holders of Covered Bonds of such Series, whether or not they are present at the meeting. Pursuant to the Common Representative Appointment Agreement, the Common Representative may convene a single meeting of the holders of Covered Bonds of more than one Series if in the opinion of the Common Representative there is no conflict between the holders of such Covered Bonds, in which event the provisions of this paragraph shall apply thereto *mutatis mutandis*.

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

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

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

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

### **13. INDEMNIFICATION OF THE COMMON REPRESENTATIVE CONTRACTING WITH THE ISSUER**

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

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

### **14. REPLACEMENT OF COVERED BONDS, COUPONS AND TALONS**

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

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

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

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

- (i) the Overcollateralisation Percentage shall not, for so long as there are Covered Bonds outstanding, be reduced by the Issuer below 105.26 per cent.; and
- (ii) without prejudice to (i) above, the Issuer shall not at any time reduce the Overcollateralisation Percentage which applies for the purposes of this Condition 15 if this could result in any credit rating then assigned to the Covered Bonds by any Rating Agency being reduced, removed, suspended or placed on credit watch.

## 15.2 Issuer Covenants

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

(A) *Loan to Value*: the Value of a Mortgage Credit granted by the Issuer may not exceed either 80 per cent. of the Current Property Value, in case of a Property intended primarily for residential purposes, or 60 per cent. of the Current Property Value, in case of a Property intended primarily for commercial purposes;

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

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

(D) *Interest Cover*: the total amount of interest receivable on the Cover Pool will at all times be at least equal to or exceed the total amount of interest payable on the outstanding Covered Bonds;

(E) *Valuations*: all the required valuations of Covered Bonds, Mortgage Credits, Hedging Contracts, Other Assets and Properties will be made in compliance with the requirements of the Covered Bonds Law and the Bank of Portugal Regulations (in particular Regulation 5/2006 and Regulation 6/2006);

(F) *Cover Pool Monitor*: the Cover Pool Monitor will be provided with all necessary elements and information to monitor compliance by the Issuer of this Condition 15 in accordance with the Covered Bonds Law and in the terms set forth in the Cover Pool Monitor Agreement;

(G) *Mortgage Credits*: the Mortgage Credits included in the Cover Pool are not Non-Performing Mortgage Credits; and

(H) *Liabilities*: The net present value of the liabilities arising from issues of Covered Bonds cannot exceed the net present value of the Cover Pool, including any Hedging Contracts. This ratio must also be met for 200 basis points parallel shifts of the yield curve.

## 16. FURTHER ISSUES

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

## 17. GOVERNING LAW

The Common Representative Appointment Agreement, the Agency and Payments Procedures, the Covered Bonds, 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 30 April 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 Covered Bonds Law, namely Regulation 5/2006, 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 Covered Bonds**” means any Covered Bonds in bearer form issued (whether or not in global form).

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

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

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

“**Common Representative**” means BNP Paribas Trust Corporation UK Limited, in its capacity as representative of the holders of the Covered Bonds pursuant to Article 14 of the Covered Bonds Law in accordance with the Terms and Conditions and the terms of the Common Representative Appointment Agreement, having its registered office at 55 Moorgate, London, EC2R 6PA.

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

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

“**Cover Pool Monitor**” means 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 – 6<sup>th</sup>, 1050-094, Lisbon.

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

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

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

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

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

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



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

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

“**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 Covered Bonds.

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

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

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

“**Instruction 13/2006**” means the regulatory instruction (“*Instrução*”) no. 13/2006 issued by the Bank of Portugal relating to certain information duties applicable in relation to the issue of mortgage covered bonds in accordance with the Covered Bonds Law.

“**Interbolsa**” means Interbolsa – Sociedade Gestora de Sistemas de Liquidação e de Sistemas Centralizados de Valores Mobiliários, S.A. as operator of the Central de Valores Mobiliários.

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

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

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

“**Mortgage**” means, in respect of any Mortgage Credit, the charge by way of legal mortgage over the relevant Property together with all other encumbrances or guarantees the benefit of which is vested in the Issuer as security for the repayment of that Mortgage Credit.

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

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

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

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

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

- (a) deposits with the Bank of Portugal, in cash or in securities eligible for credit transactions in the Eurosystem;
- (b) current or term account deposits with credit institutions (which are not in a control or group relationship with the Issuer) having a rating equal to or higher than the minimum rating required at any time by the Rating Agencies, provided that such minimum rating shall in any event be at least equal to «A-» or equivalent; and
- (c) other assets complying simultaneously with the requisites of low risk and high liquidity as defined by the Bank of Portugal;

For the avoidance of doubt, the Other Assets do not include any cash collateral that may be transferred under the Hedge Contracts.

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

“**Overcollateralisation Percentage**” means 105,26 per cent. or such other percentage as may be selected by the Issuer from time to time and notified to the Cover Pool Monitor, provided that: (i) the Overcollateralisation Percentage shall not, for so long as there are Covered Bonds outstanding, be reduced by the Issuer below 105,26 per cent.; and (ii) without prejudice to (i) above, the Issuer shall not at any time reduce the Overcollateralisation Percentage which applies for the purposes of Condition 15 if this could result in any credit rating then assigned to the Covered Bonds by any Rating Agency being reduced, removed, suspended or placed on credit watch.

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

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

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

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

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

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

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

“**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 Covered Bonds Law and the Bank of Portugal Regulations;

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

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

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

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

“**Regulation 8/2006**” means the regulatory notice (“*Aviso*”) no. 8/2006 issued by the Bank of Portugal and published on 10 October 2006, relating to the insolvency, winding-up or dissolution of a credit institution which has issued covered bonds issued in accordance with the Covered Bonds Law.

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

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

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

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

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

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

“**TARGET Day**” means any day on which the TARGET System (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 including the Irish Revenue Commissioners and H.M. Revenue and Customs.

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

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

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

“**Value**” means:

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

## CHARACTERISTICS OF THE COVER POOL

### INTRODUCTION – CAPACITY TO ISSUE COVERED BONDS

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

### ISSUER REQUIRED TO MAINTAIN COVER POOL

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

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

The Issuer is required, as soon as practicable after becoming aware that it has contravened the provisions of the Covered Bonds Law, take all possible steps to prevent the contravention from continuing or being repeated.

### ELIGIBILITY CRITERIA FOR ASSETS COMPRISED IN THE COVER POOL

Only mortgage credits or receivables which comply with the legal eligibility criteria described below may be included in the Cover Pool:

#### *Mortgage Credits Eligibility Criteria*

- (a) unmaturred financial receivables, which are neither subject to encumbrances or possession orders and which are secured by first ranking mortgages over residential or commercial real estate located in an EU Member State;
- (b) mortgage credits secured by junior mortgages provided all mortgage credits secured by senior mortgages are held by the Issuer and allocated to the Cover Pool;
- (c) receivables secured by a personal guarantee granted by a credit institution or an appropriate insurance policy, with a mortgage counter guarantee meeting the above criteria.

#### *“Other Assets” Eligibility Criteria:*

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

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

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

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

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

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

#### **HEDGING CONTRACTS**

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

Pursuant to the requirements of the Covered Bonds Law, any such hedging contract can only be entered into (i) in a regulated market of an EU Member State, or (ii) recognised market of an OECD country, or (iii) with a counterparty which is a credit institution with a rating of at least «A-» or equivalent. The Covered Bonds Law empowers the Bank of Portugal to develop, by regulatory notice ("*Aviso*"), the eligibility criteria for hedging contracts to form part of the Cover Pool.

Also pursuant to the Covered Bonds Law, the Register shall, in relation to each Hedging Contract, identify (i) the Covered Bonds to which the relevant Hedging Contract relates; (ii) the corresponding Cover Pool; (iii) the nominal value of the Hedging Contract; (iv) the Hedge Counterparty; and (v) the commencement date and the maturity date of such Hedging Contract.

If a particular Tranche of Covered Bonds is issued in a denomination other than the euro, the Issuer must enter into Hedging Contracts for the purpose of hedging any currency exchange risk.

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

Under Hedging Contracts, with respect to interest rate hedging on the Cover Pool, on a monthly, 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 Mortgage Credits, determined by deducting the weighted average spread from the weighted average basket interest rate of the Mortgage Credits held by the Issuer and which are included in the Cover Pool on the relevant date. The payment will be calculated on a notional amount equal to the principal amount outstanding of those Mortgage Credits on the relevant date. In return, on a monthly basis, 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 Covered Bonds, on an annual basis or such other basis referable to the relevant coupon period, the Hedge Counterparty will pay under the Hedging Contracts an amount related to the interest rate payable on the relevant Covered Bonds on

a notional amount equal to the principal amount outstanding of the relevant Covered Bonds and the Issuer will pay to such Hedge Counterparty an amount related to one, 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.

#### **LOAN-TO-VALUE RESTRICTIONS**

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

#### **WEIGHTED AVERAGE TERM TO MATURITY**

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

#### **OVERCOLLATERALISATION**

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

In compliance with the above legal requirements, Condition 15 (*Overcollateralisation, Valuation of Cover Pool and Issuer Covenants*) requires the Issuer to over-collateralise of the Cover Pool with respect to outstanding Covered Bonds at a minimum level of 105.26 per cent. or such other

percentage as may be selected by the Issuer from time to time and notified to the Cover Pool Monitor, provided that: (i) the Overcollateralisation Percentage shall not, for so long as there are Covered Bonds outstanding, be reduced by the Issuer below 105.26 per cent.; and (ii) without prejudice to (i) above, the Issuer shall not at any time reduce the Overcollateralisation Percentage which applies for the purposes of Condition 15 if this could result in any credit rating then assigned to the Covered Bonds by any Rating Agency being reduced, removed, suspended or placed on credit watch

*See Terms and Conditions of the Covered Bonds.*

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

- (a) Mortgage Credits shall be included at their outstanding principal amount, together with any accrued but unpaid interest;
- (b) the Covered Bonds shall be accounted according to the nominal value of outstanding principal irrespective of the fact those Covered 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 Covered Bonds cannot exceed the net present value of the Cover Pool, including any Hedging Contracts. This ratio must also be met for 200 basis point parallel shifts in the yield curve.

#### **COMPLIANCE WITH FINANCIAL REQUIREMENTS**

The Cover Pool Monitor must, pursuant to the Covered Bonds Law and in the terms set forth in the Covered Bonds Law and in the Cover Pool Monitor Agreement, monitor the Issuer's compliance with the financial requirements established in the Covered Bonds Law and in the Bank of Portugal Regulations described in this section. The Issuer must, as soon as practicable after becoming aware that it has failed to comply with any provisions of the Covered Bonds Law summarised herein (or when it is reasonable to expect that they will not be complied with), take all steps to comply with that provision, by undertaking one or more of the following procedures:

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

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

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



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

### ***Valuation of Properties***

#### *General Overview*

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

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

#### *Valuation by expert*

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

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

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

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

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

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

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

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

#### *Methods of valuation*

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

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

#### *Valuation report*

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

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

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

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

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

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

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

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

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

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

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

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

#### ***Insurance***

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

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

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

Pursuant to the Covered Bonds Law, the Cover Pool constitutes an autonomous pool of assets (“*património autónomo*”), not liable for any general indebtedness incurred by the Issuer until all amounts due to the holders of Covered Bonds and the Other Preferred Creditors are fully paid and discharged.

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

- (i) the outstanding principal amount;

- (ii) the applicable interest rate;
- (iii) the applicable maturity;
- (iv) the notary's office where the relevant mortgage was entered into, when applicable; and
- (v) the reference regarding the definitive inscription of the mortgages in the corresponding real estate registry.

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

*Special creditor privilege*

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

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

## INSOLVENCY OF THE ISSUER

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

The Cover Pool will, in such an event, be separated from the Issuer's insolvency estate so as to be autonomously managed until full payment of the amounts due to the holders of Covered Bonds. In this situation, pursuant to the Covered Bonds Law, the holders of Covered Bonds are entitled to adopt a resolution approving the immediate acceleration of the Covered Bonds by a majority of at least two thirds of the votes of the holders of Covered Bonds then outstanding, in which case the entity appointed to manage the Cover Pool shall provide for the liquidation thereof to the benefit of the holders of Covered Bonds.

If an Insolvency Event occurs in relation to the Issuer, the plan for the dissolution and winding-up of the Issuer, which shall be submitted to the Bank of Portugal pursuant to Article 35-A of the Credit Institutions General Regime, shall identify a Substitute Credit Institution appointed to (i) manage the Cover Pool allocated to the outstanding Covered Bonds and (ii) ensure that the payments of any amounts due to the holders of such Covered Bonds are made. Such plan shall also describe the general framework and conditions under which those actions will be rendered by the Substitute Credit Institution.

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

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

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

- (i) immediately upon being appointed, prepare an opening balance sheet in relation to the Cover Pool, supplemented by the corresponding explanatory notes;
- (ii) perform all acts and things necessary or desirable for the prudent management of the Cover Pool and respective guarantees in order to ensure the timely payment of all amounts due to holders of Covered Bonds, including, without limitation:
  - a. selling the Mortgage Credits comprised in the Cover Pool;
  - b. ensuring the timely collection in respect of the Mortgage Credits comprised in the Cover Pool;
  - c. performing all other acts and administrative services in connection with such Mortgage Credits and related Mortgages and Additional Security;
- (iii) maintain and keep updated a segregated register of the Cover Pool in accordance with the Covered Bonds Law; and
- (iv) prepare an annual financial report in relation to the Cover Pool and the outstanding Covered Bonds, which report shall be the subject of an audit report produced by an

independent auditor. The independent auditor shall be appointed as Cover Pool Monitor by the Substitute Credit Institution in accordance with article 34 of the Covered Bonds Law.

Furthermore, any Substitute Credit Institution appointed by the Bank of Portugal to service the Cover Pool following an Insolvency Event of the Issuer shall perform all acts and things necessary or convenient for maintaining the relationship with the borrowers under such Mortgage Credits.

In the event of insolvency of the Issuer, the assets allocated to one or more issues of Covered Bonds will be segregated from the corresponding insolvent estate and will be managed autonomously by a third party until full payment of the amounts due to the holders of Covered Bonds has been made. In any case, and even if the Issuer is declared insolvent, the Covered Bonds Law determines that timely payments of interest and reimbursements under the Covered Bonds shall continue to be carried out.

## **COMMON REPRESENTATIVE OF THE HOLDERS OF COVERED 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 Covered Bonds pursuant to Article 14 of the Covered Bonds Law and in accordance with the Terms and Conditions and the terms of the Common Representative Appointment Agreement.

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

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

## **COVER POOL MONITOR**

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

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

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

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

Pursuant to the Cover Pool Monitor Agreement, dated 30 April 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 Covered Bonds Law in relation to the appointment of a monitor in respect of the requirements (namely, financial requirements and the requirements set forth in Condition 15 (*Overcollateralisation, Valuation of Cover Pool and Issuer Covenants*)) concerning the Cover Pool and the Covered Bonds. The Cover Pool Monitor Agreement provides for certain matters such as overcollateralisation (see *Characteristics of the Cover Pool*), valuation of assets comprised in the Cover Pool, the payment of fees and expenses by the Issuer to the Cover Pool, the resignation of the Cover Pool Monitor and the replacement by the Issuer of the Cover Pool Monitor.

### **DUTIES AND POWERS OF THE COVER POOL MONITOR**

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

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

In the performance of its duties, the Cover Pool Monitor must produce an annual report with an assessment of the Issuer’s compliance with the requirements established in the Covered Bonds Law and in the Bank of Portugal Regulations, in particular those requirements relating to the level of collateralisation, the loan-to-value ratios limitations and the valuation of assets comprised in the Cover Pool. The Cover Pool Monitor must also prepare opinions certifying the statements of the management body of the Issuer, relating to information and documentation filed with the Bank of Portugal.



The Cover Pool Monitor will perform certain quarterly agreed upon procedures in the terms set forth in the Cover Pool Monitor Agreement in order to prepare a quarterly report to be delivered to the Issuer indicating any non-compliance by the Issuer with the requirements of the Cover Pool and/or the Covered Bonds Law.

If as a result of the work referred to in the precedent paragraph a non-compliance with the Covered Bonds Law and/or the Requirements of the Cover Pool is identified by the Cover Pool Monitor, it shall notify the Issuer, as soon as reasonably practicable, of such event. If the non-compliance remains unremedied within 10 business days after such notification, the Cover Pool Monitor will notify the Arrangers and the relevant Dealers of the non-compliance.

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

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

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

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

## DESCRIPTION OF THE ISSUER

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

### HISTORY

Banco BPI was formed in 1998 by the merger of Banco Fonecas & Burnay, Banco de Fomento e Exterior and Banco Borges & Irmão. Later that year Banco Universo (an in-store bank) was acquired by Banco BPI.

In 2002, BPI SGPS incorporated Banco BPI and, simultaneously, assumed the core business mission of a commercial bank, adopting the name Banco BPI and assuming the role as the entity at the Group's helm.

In 2005, BPI Group completed its twenty-fifth year of existence since the creation of SP-Sociedade Portuguesa de Investimentos in 1981.

### ESTABLISHMENT AND DOMICILE

Banco BPI has its registered office in Rua Tenente Valadim, 284, Porto, telephone number +351 22 2075000.

### LEGAL FORM

Banco BPI is registered as a bank with the Bank of Portugal and operates under the legal name of "Banco BPI, S.A.". Banco BPI also operates under the following commercial name: BPI. It is a limited liability company ("*Sociedade Anónima*") under Portuguese law incorporated 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 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 may also participate in partnership association agreements, complementary corporate conglomerates or European conglomerates of economic interest and also to originally and subsequently acquire shares or stakes 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 31 December, 2007, the main shareholders in Banco BPI included La Caixa Group (with an interest of 25 per cent.), the Itaú Group (18.3 per cent.), BCP Group (10 per cent), Allianz Group (8.8 per cent.), HVF SGPS, S.A. (2.9 per cent.), Arsopi Group (2.9 per cent.), JP Morgan Chase Bank (2.7 per cent,) and Credit Suisse (2.2 per cent.)<sup>1</sup>.

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<sup>1</sup> Shareholding held by companies of Credit Suisse Group in 26 April 2007, according with a communication to the market dated 2 May 2007. The information received from the Portuguese securities centralised system, *Central de Valores Mobiliários* (CVM) is not sufficient to identify the shareholding of Credit Suisse on 31 December 2007. Pursuant to a communication by Credit Suisse, following a sale dated 13 February 2008, Credit Suisse have reduced its shareholding in

## BUSINESS OVERVIEW OF BANCO BPI

BPI Group activity is divided into two main geographic areas:

- (1) Domestic Activity including Domestic Commercial Banking, Investment Banking and 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 in two main segments:

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

The individuals and small businesses banking division serves individuals, self-employed people and companies with an annual turnover up to EUR 2.5 million.

The Corporate Banking, Institutional Banking and State Business Sector areas manage in an integrated manner the Bank's relationship with Banco BPI's 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 44 corporate centres scattered around the country, including Spanish Companies and other Multinationals Centre especially oriented to serve the specific needs of customers with Iberian operations.

The Institutional Banking and State Business Sector Division deals with institutional clients, public sector companies and other public sector controlled entities. It has a specific commercial network composed of 6 institutional centres which ensures the quality of services, as well as proximity and agility in the service offered to customers.

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 Banco Português de Investimento, S.A. (“**BPI Investimentos**”) and private equity business is

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Banco BPI from 15 502 927 shares (2.04% of Banco BPI share capital) to 12 043 385 shares (1.58% of Banco BPI share capital).

conducted through a 100 per cent. subsidiary, Inter-Risco while other non-core investments are booked under Banco BPI's balance sheet.

The contribution to net profit of asset management activity is allocated to Domestic Commercial Banking and Investment Banking business in proportion of each one's importance in the placement of products.

### *International Commercial Banking*

International Commercial Banking Activity refers to business operations conducted by BFA in Angola and by a 30 per cent. 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

As at 31 December, 2007, Banco BPI's share capital amounted to 760,000,000 fully subscribed and paid up shares with a nominal value of EUR 1 each.

As at 31 December, 2007, share premium amounted to EUR 231.3 million. In accordance with Ministerial Order no. 408/99, of 4th June, 1999 published in the Diário da República - 1st B Series, 129, the share premium may not be distributed and may not be used for the acquisition of own shares.

## EMPLOYEES

At 31<sup>st</sup> December, 2007 the BPI Group's workforce numbered 9,345, of whom 84 per cent. were deployed in domestic operations (82 per cent. in Portugal and 2 per cent. at overseas branches and representative offices), while the remaining 16 per cent. made up the workforce at Banco de Fomento Angola.

	Year-end figures				Δ% Dec.06/Dec.07	Year-average figures			Δ% Dec.06 /Dec.07
	Dec.05	Dec.06	Dec.07			Dec.05	Dec.06	Dec.07	
<b>Domestic activity</b>									
Banco BPI	6,316	6,658	7,356	10.5%	6,289	6,559	7,010	6.9%	
Banco Português de Investimento	136	129	145	12.4%	136	131	137	4.6%	
Other subsidiary companies	114	93	100	7.5%	121	96	94	-2.1%	
<b>Subtotal – activity in Portugal <sup>1</sup></b>	<b>6,566</b>	<b>6,880</b>	<b>7,601</b>	<b>10.5%</b>	<b>6,547</b>	<b>6,786</b>	<b>7,241</b>	<b>6.7%</b>	
Overseas branches and rep. offices	168	174	216	24.1%	166	166	197	18.7%	
<b>Subtotal – domestic activity</b>	<b>6,734</b>	<b>7,054</b>	<b>7,817</b>	<b>10.8%</b>	<b>6,713</b>	<b>6,952</b>	<b>7,438</b>	<b>7.0%</b>	
<b>International activity</b>									
Banco de Fomento Angola	736	1,234	1,528	23.8%	638	958	1,375	43.5%	
<b>Subtotal – international activity</b>	<b>736</b>	<b>1,234</b>	<b>1,528</b>	<b>23.8%</b>	<b>638</b>	<b>958</b>	<b>1,375</b>	<b>43.5%</b>	
<b>Subtotal – activity in Portugal <sup>1</sup></b>	<b>7,470</b>	<b>8,288</b>	<b>9,345</b>	<b>12.8%</b>	<b>7,351</b>	<b>7,910</b>	<b>8,813</b>	<b>11.4%</b>	

<sup>1</sup> Includes fixed-term contracts and temporary employment of persons with no binding work contracts with BPI. The costs incurred with temporary employment are recorded in the books under the caption "general and administrative overheads".

## PENSION OBLIGATIONS

At 31 December, 2007 the employees pension funds amounted to EUR 2,798.5 million, representing 114.4 per cent. of the funds liabilities with pensions. The funds financial surplus amounted to EUR 353.1 million.

In June 2007 BPI changed the actuarial assumptions. This change led to an increase in the amount of pension liabilities of EUR 166.3 million.

In 2007, the funds had a return of 17.8 per cent.

<b>Financing of pension liabilities</b>	<b>(EUR million)</b>	
	<b>31st December, 2006</b>	<b>31st December, 2007</b>
Total pension liabilities	2,230.8	2,445.4
Pension funds	2,470.5	2,798.5
Financial surplus	239.6	353.1
<b>Financing of pension liabilities</b>	<b>110.7%</b>	<b>114.4%</b>
Corridor	247.0	279.9
Negative deviations registered in the corridor	-42.6	
Positive deviations registered in the corridor		40.8
Margin available for negative deviations	204.4	320.7
Positive / Negative deviations outside corridor		-1.5
Return of the pension funds	13.6%	17.8%

## THE BPI GROUP

The BPI Group – headed by Banco BPI – 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.

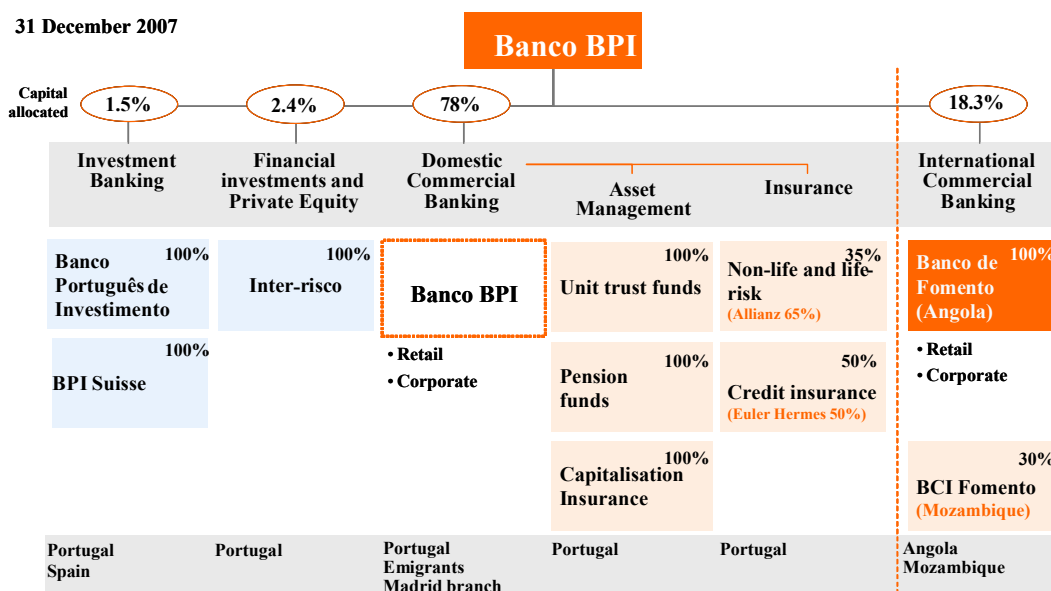
The Group’s commercial bank Banco BPI serves more than 1.4 million customers – individuals, companies and institutions – through its multi-channel distribution network comprising 662 retail branches, 23 investment centres, branches specialising in home loans (19), a network of external promoters (8,846), structures dedicated to corporates (44 centres) and institutional customers (6 centres), telephone banking (BPI Directo) and a homebanking service (BPI Net). Banco Português de Investimento, the BPI Group’s original matrix, is engaged in investment banking business – Equities, Corporate Finance and Private Banking – at Iberian Peninsula level. In asset management activity, BPI is a prime player in the management of unit trust (mutual) funds, pension funds and life-capitalisation insurance, which it distributes via Banco BPI and Banco Português de Investimento.

BPI is one of the leading commercial banks in Angola through its 100% equity stake in Banco de Fomento de Angola, which at the end of 2007 serviced 405,000 customers. BPI has a 30 per cent. stake in Banco Comercial e de Investimentos, SARL (BCI Fomento Mozambique).

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

### Banco BPI

#### Commercial Banking and Financial Investments



The Bank is the parent company of all of the companies shown above and the Bank's financial results are dependent upon the cash flows and dividends from these subsidiaries.

*International Operations*

The activities carried out abroad by branches and representative offices, 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, in Macau, in Santa Maria (the Azores Islands) and in Funchal (the Madeira Islands), twelve branches in France and one in Spain as well as representative offices in Geneva, Hamburg, Newark, Caracas and Johannesburg. 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.

## CONSOLIDATED FINANCIAL FIGURES

### Main indicators

(Consolidated figures in EUR millions, except where indicated otherwise)

	31st December, 2006	31st December, 2007	Δ% December 06/ December 07
Net total assets	35,565.5	40,545.9	14.0%
Assets under management <sup>1</sup>	15,183.8	15,741.7	3.7%
Business volume <sup>2</sup>	56,406.8	64,479.1	14.3%
Loans to Costumers (gross) and guarantees	28,263.0	32,483.5	14.9%
Total Costumers Resources	28,143.7	31,995.6	13.7%
Business volume <sup>2</sup> per Employee <sup>3</sup>	6,806.0	6,900.0	-0.5%
Net Operating Income	1,018.1	1,215.5	19.4%
Operating income from banking per Employee <sup>3</sup>	129	138	7.2%
Adm. overheads, depreciation and amortisation / operating income from banking	56.60%	53.70%	-
Net profit	308.8	355.1	15.0%
Cash flow after taxation	410.3	531.1	29.4%
Return on average total assets (ROA)	1.00%	1.00%	-
Return on Shareholders' equity (ROE)	24.3%	22.4%	-
Loans in arrears for more than 90 days / Costumer loans	1.10%	1.00%	-
Loan impairments (in the balance sheet) / Costumer loans	1.40%	1.40%	-
Cost of risk <sup>4</sup>	0.19%	0.23%	-
Cover of pension obligation recognised in the balance sheet	110.70%	114.40%	-
Shareholders' equity	1,450.6	1,635.1	12.7%
Ratio of own funds requirements <sup>5</sup>	9.40%	9.90%	-
Tier I <sup>5</sup>	7.40%	6.20%	-
Data per share adjusted (euro)			
Net profit	0.41	0.47	14.2%
Cash flow after taxation	0.55	0.71	28.5%
Book Value	1.94	2.17	11.9%
Weighted average no. of shares (in millions)	746.2	751.6	0.7%
Closing price (euros)	5.91	5.36	-9.3%
Stock market capitalisation at year end	4,491.6	4,073.6	-9.3%
Retail branches <sup>6</sup> (number)	692	803	16.0%
Corporate and institutional centres network <sup>7</sup> (number)	55	59	7.3%
BPI Group staff complement <sup>8</sup> (number)	8,288	9,345	12.8%

1) Unit trust (mutual) funds, PPR and PPA, capitalisation insurance, assets under discretionary management and advisory mandates of Private Banking Clients and Institutional Clients and assets of the managed pension funds (including the Group's staff pension funds).

2) Loans guarantees and total Costumer resources.

3) Number of Employees of the companies which are consolidated in full.

4) Loan impairments (IAS / IFRS) in the semester, deducted of recoveries of loans in arrears written-off (in the income statement) / Costumer loans (annualised figures).

5) Calculated in accordance with Bank of Portugal rules governing minimum own funds requirements (Notice n.º 7 / 96).

6) Includes traditional branches, housing shops, investment centres in Portugal, branches and investment centres in Angola and branches in Paris.

7) Distribution network specialising in serving companies, *project finance* centre, Institutional and the branch in Madrid.

8) Group staff complement in the domestic activity and international. Includes term Employees and temporary workers, and excludes bursaries.



## RISK MANAGEMENT

The following is a summary of certain aspects of the business of Banco BPI of which prospective investors of Banco BPI 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, country, market, liquidity, operating and legal risks) and on the execution of strategies aimed at maximising the results vis-à-vis risks, within pre-set and duly supervised limits.

PRINCIPAL INDICATORS	31st	31st December, 2007		
	December,	Domestic	International	Consolidated
	2006			
	Consolidated			
Loans in arrears for more than 90 days, as percentage of total loan portfolio	1.10%	1.00%	1.00%	1.00%
Loan impairments (accumulated in the balance sheet), as percentage of total loan portfolio	1.40%	1.20%	5.80%	1.40%
Loans in arrears for more than 90 days and doubtful loans <sup>1</sup> , as percentage of total loan portfolio <sup>2</sup>	1.10%	-	-	1.00%
Loans in arrears for more than 90 days and doubtful loans, net of specific loan provisions, as percentage of total net loan portfolio <sup>2</sup>	0.40%	-	-	0.20%
Increase in loans in arrears (for more than 90 days), adjusted by write-offs as percentage of the performing loan portfolio	0.07%	0.19%	0.37%	0.19%
Increase in loans in arrears (for more than 90 days), adjusted by write-offs and deducted of recoveries of loans and interests written-off, as percentage of the performing loan portfolio	-0.02%	0.11%	0.36%	0.12%
Loan impairment charges in the year (income statements) as percentage of the performing loan portfolio	0.28%	0.21%	3.51%	0.31%
Loan impairment charges in the year (income statements) net of recoveries of loans and interest written-off, as percentage of the performing loan portfolio	0.19%	0.12%	3.50%	0.23%
Country-risk exposure, net of provisions (M.€€)	2,421	-	-	3,252
As percentage of total assets (net)	6.8%	-	-	8.0%
Market risk (VaR)				
Monthly average (M.€)	3.3	-	-	3.6
Maximum (M.€)	7.7	-	-	7.0
Loans as percentage of total Customer resources	88.6%	88.5%	51.6%	86.3%
Loans as percentage of stable resources <sup>3</sup>	73.30%	-	-	68.80%

1) Doubtful loans treated as being in arrears for purposes of provisioning

2) Calculated according to the Bank of Portugal's Instruction 16 / 2004.

3) Stable resources in accordance with the definition laid down in Bank of Portugal Instruction 1 / 2000: Customer deposits, participating securities, provisions for loans (specific and general), loans (certificated or not) with a residual maturity term of more than one year, minority shareholders' interests and shareholders' equity, after deducting the profits to be distributed by way of dividends.

## CREDIT RISK

At the end of 2007, customer loans in arrears for more than 90 days totalled EUR 276.9 million, which corresponded to 1.0 per cent. of the gross loan portfolio.

In domestic operations, loans in arrears for more than 90 days amounted to EUR 267.2 million which corresponded to a non-performing loan ratio of 1.0 per cent. In international operations, loans in arrears for more than 90 days totalled EUR 9.7 million, corresponding to a non-performing loan ratio of 1.0 per cent..

At 31 December, 2007, the amount of cumulated impairments recognised in the balance sheet totalled EUR 385.7 million which corresponded to 1.4 per cent. of the gross loan portfolio. These represent the estimated loan loss and take into consideration the total amount of the exposure, the recoverable amount and the time horizon till recovery. In domestic operations, these totalled 1.2 per cent. of the gross loan portfolio and in international operations loan impairments were 5.8 per cent. of the gross loan portfolio.

	(EUR million)		
	31st December, 2005	31st December, 2006	31st December, 2007
<b>Customer loans in arrears, provisions and impairments</b>			
<b>Customer loan portfolio at the end of the year (gross)</b>	<b>21,270.4</b>	<b>24,941.4</b>	<b>27,603.2</b>
<b>Loans in arrears</b>			
Loans in arrears for more than 90 days	278	263.5	276.9
Loans in arrears for more than 30 days	295.7	277.6	296.5
Doubtful loans <sup>1</sup>	5.4	3.3	6.7
<b>Loan impairments</b>	<b>335.1</b>	<b>341.0</b>	<b>385.7</b>
<b>Ratio of loans in arrears and doubtful loans</b>			
Loans in arrears for more than 90 days, as percentage of total loan portfolio	1.30%	1.10%	1.00%
Loans in arrears for more than 90 days and doubtful loans <sup>1</sup> , as percentage of total loan portfolio <sup>2</sup>	1.30%	1.10%	1.00%
Loans in arrears for more than 30 days, as percentage of total loan portfolio	1.40%	1.10%	1.10%
<b>Loan impairments (accumulated in the balance sheet)</b>			
Loan impairments, as percentage of total loan portfolio	1.66%	1.40%	1.40%
Loan impairments, as percentage of loans in arrears for more than 90 days	120.5%	129.4%	139.3%
<b>Note</b>			
Write-offs	48.3	30.5	37.4
Recovery of loans and interests in arrears written-off	17.6	21.0	20.9

1) Doubtful loans treated as being in arrears for purposes of provisioning

2) Calculated according to the Bank of Portugal Instruction 16 / 2004.

The variation in arrear loans with more than 90 days adjusted for write-offs amounted to EUR 49.2 million, corresponding in annualised terms to 0.19 per cent. of the performing loan portfolio. On the other hand, EUR 20.9 million in arrear loans and interest previously written off were recovered in the period, with the result that the increase in arrear loans adjusted for write-offs and after deducting these recoveries, was EUR 28.3 million, which corresponded to 0.11 per cent. of the loan portfolio in annualised terms. This ratio was situated at 0.11 per cent. for domestic operations and at 0.07 per cent. for international operations.

Credit risk cost in the period, measured by the loan impairment charges recognised in the period and after deducting recoveries of arrear loans previously written off, was EUR 60.2 million, which corresponded to 0.23 per cent. of the performing loan portfolio in annualised terms. In domestic operations, risk cost represented 0.12 per cent. of the loan portfolio and in international operations it was situated at 3.50 per cent., due to the recognition of collective impairments.

	Domestic activity		International activity		BPI Group (consolidated)	
	31st December, 2006	2007	31st December, 2006	2007	31st December, 2006	2007
<b>Performing loan portfolio (average balance)</b>	<b>21,653.5</b>	<b>25,726.0</b>	<b>494.7</b>	<b>805.9</b>	<b>22,148.1</b>	<b>26,532.0</b>
<b>Change in loans in arrears</b>						
<b>Increase in loans in arrears (for more than 90 days), adjusted by write-offs</b>	11.3	48.5	4.7	3.0	16.0	51.5
as percentage of the performing loan portfolio (average balance)	<b>0.05%</b>	<b>0.19%</b>	<b>0.96%</b>	<b>0.37%</b>	<b>0.07%</b>	<b>0.19%</b>
- Recovery of loans and interest in arrears written-off	21.0	20.8	0.0	0.1	21.0	20.9
<b>= Increase in loans in arrears (for more than 90 days), adjusted by write-offs and net of recoveries of loans and interest written-off</b>	<b>-9.7</b>	<b>27.8</b>	<b>4.7</b>	<b>2.9</b>	<b>-5.0</b>	<b>30.6</b>
as percentage of the performing loan portfolio (average balance)	<b>-0.04%</b>	<b>0.11%</b>	<b>0.96%</b>	<b>0.36%</b>	<b>-0.02%</b>	<b>0.12%</b>
<b>Cost of risk</b>						
<b>Loan impairment charges in the year (in the income statement)</b>	<b>44.7</b>	<b>52.8</b>	<b>18</b>	<b>28.3</b>	<b>62.7</b>	<b>81.1</b>
as percentage of the performing loan portfolio (average balance)	<b>0.21%</b>	<b>0.21%</b>	<b>3.64%</b>	<b>3.51%</b>	<b>0.28%</b>	<b>0.31%</b>
- Recovery of loans and interest in arrears written-off	21.0	20.8	0.0	0.1	21.0	20.9
<b>= Cost of risk</b>	<b>23.7</b>	<b>32.0</b>	<b>18.0</b>	<b>28.2</b>	<b>41.7</b>	<b>60.2</b>
as percentage of the performing loan portfolio (average balance)	<b>0.11%</b>	<b>0.12%</b>	<b>3.64%</b>	<b>3.50%</b>	<b>0.19%</b>	<b>0.23%</b>

1) Calculated according to the Bank of Portugal Instruction 3 / 1995.

At the end of 2007, cumulated impairment charges in the balance sheet, corresponding to the estimated loss on loans and already recognised in the financial statements, represented in domestic operations 1.2 per cent. of the gross loan portfolio. It is worth mentioning that the expected loss on mortgage loans was lower (0.8 per cent), given the existence of tangible security and a track record of minimal actual loss.

Loans in arrears and accumulated loan impairments in the balance sheet, by market segment	31st December, 2006			31st December, 2007		
	%	Ratio of loans in arrears > 90 days	Cumulative Loan impairments as % of the gross loan portfolio	%	Ratio of loans in arrears > 90 days	Cumulative Loan impairments as % of the gross loan portfolio
<b>Domestic operations</b>						
Corporate, institutional and project finance	42%	0.6%	1.5%	45%	0.5%	1.3%
Loans to Individuals and Small Businesses						
Mortgage loans	40%	1.3%	0.6%	35%	1.4%	0.8%
Loans to individuals – other purposes	4%	2.6%	3.5%	4%	1.7%	2.6%
Loans to small businesses	9%	1.4%	1.7%	9%	1.6%	1.9%
Loans to Individuals and Small Businesses	53%	1.4%	1.0%	49%	1.5%	1.2%
Other	3%	1.9%	2.1%	3%	1.1%	1.6%
<b>Domestic operations</b>	<b>97%</b>	<b>1.0%</b>	<b>1.2%</b>	<b>96%</b>	<b>1.0%</b>	<b>1.2%</b>
<b>International operations</b>	<b>3%</b>	<b>1.4%</b>	<b>5.7%</b>	<b>4%</b>	<b>1.0%</b>	<b>5.8%</b>
<b>Total</b>	<b>100%</b>	<b>1.1%</b>	<b>1.4%</b>	<b>100%</b>	<b>1.0%</b>	<b>1.4%</b>

## FINANCIAL RISK ASSESSMENT AND CONTROL

### *Country Risk*

The individual evaluation of each country's risk is carried out with the aid of external ratings, outside studies and in-house studies conducted by the International Division. Eligible countries are deemed to be large emerging markets embracing market economy principles, open to international trade and with strategic importance within the context of international politics. Additionally, operations defined as 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 table also includes exposure through international participating interests (Banco de Fomento Angola and the 30 per cent. stake in Banco Comercial e de Investimentos in Mozambique).

## Country-risk exposure (31 December 2007)

(EUR million)				
Country	Rating	Gross exposure	Guarantees	Exposure net of guarantees <sup>1</sup>
Dutch Antilles		5.1		5.1
Brazil	BB+	424.3		424.3
Canada	AAA	3.2		3.2
Denmark	AAA	66.6		66.6
USA	AAA	110.3	12.3	98
Jersey Islands		4.3		4.3
Cayman Islands	AAA	1,227.8		1227.8
Iceland	A+	1.0		1
Latvia	BBB+	7.5		7.5
United Kingdom	AAA	543.4	16.9	526.5
Romania	BBB-	3.2		3.2
Sweden	AAA	60.7		60.7
Switzerland	AAA	47.3	5.1	42.2
British Virgin Islands		63.5		63.5
Angola		258.5	3.3	255.3
Mauritia		214.5		214.5
Mozambique	B	25.8		25.8
Kazakhstan	BBB-	72.5		63.7
Turkey	BB-	45.0		19.2
Venezuela	BB-	1.5		1.5
South Africa	BBB+	1.2		1.2
Russia	BBB+	100.9	2.7	98.2
Other countries		4.8	0.6	4.2
<b>Total</b>		<b>3,293.0</b>	<b>40.9</b>	<b>3,252.1</b>

1) Net of residents' guarantees, namely, of the Agência Nacional de Crédito for exports, of exporters, or of deposits;

2) Short-term external financing operations, operations with multilateral development banks or those covered by political-risk insurance are not subject to country-risk provisions.

### Market Risks

Market or price risk (interest rates, foreign exchange rates, equity prices, commodity prices, others) is defined as the possibility of incurring losses due to unexpected variations in the price of instruments or operations.

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 Bank is structurally exposed to the risk of falling interest rates, with an amount of capital at risk of EUR 31.3 million associated with the stress test of a 200 b.p. fall in interest rates.

### Interest rate risk – repricing gaps 1 (at 31 December 2007)

	(EUR million)					
	1 year	1 to 2 years	2 to 5 years	5 to 7 years	7 to 15 years	> 15 years
Accumulated gap	325.6	467.5	792.6	853.4	967.5	1,104.1

1 Non-remunerated sight deposits are graded in the following manner: EUR 50 million in the over-night market; the remainder were considered as non-sensitive to interest rate.

The evaluation of exposure in trading operations is carried out daily through the recourse to a routine for calculating the VaR – Value at Risk – according to standardised assumptions, generally forming part of the BIS's set of recommendations.

### Market risk in trading books<sup>1</sup>

	(EUR thousand)					
	2006	1st quarter 07	2nd quarter 07	3rd quarter 07	4th half 2007	2007
VaR (monthly average)	3,293	2,430	3,067	4,405	4,190	3,523
Interest rate risk	1,633	1,352	1,257	1,852	2,620	1,772
Currency risk	1,391	985	1,955	2,473	1,309	1,569
Equities risk	2,249	1,804	238	3,446	2,602	2,452
Commodities	264	494	53	126	101	240
Spread	250	22	1,508	179	238	123
VaR (maximum)	7,662	3,312	4,380	5,867	6,963	6,963

1) Maximum potential loss with a 99% confidence level resulting from an adverse movement in prices, indices and interest rates over a period of two weeks, taking into consideration in the calculation of the overall risk the effect of the correlation of returns. A normal distribution of returns is assumed.

### 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.

The assessment of global exposure is effected through tables of the expected trend in liquidity, as well as through stress test tables (monitored by the Bank of Portugal).

### Liquidity risk – Gaps<sup>1</sup> (at 31st December 2007)

	(EUR million)			
	Up to 1 year	1 to 2 years	2 to 5 years	> 5 years
Gap	-500.9	-1,758.8	-2,645.2	-2,855.2
Accumulated Gap	-500.9	-2,259.7	-4,904.9	-7,760.1

1 The Gap includes all currencies. It does not include the activity of the offshore financial branches. Growth over the next 12 months in loans and balance sheet Customer' resources was taken into account. Equities and trading operations were deemed to be "without term".

	<b>31st December, 2007</b>
<b>Liquidity risk – indicators</b>	
Degree of transformation of deposits into loans	149.60%
Degree of transformation of total Customer resources into loans	133.00%
Degree of transformation of stable resources <sup>1</sup> into loans	68.80%

1) Stable resources as defined in Bank of Portugal Instruction 1/2000.

The trend in customer deposits compared to the more rapid expansion in medium and long-term loans (and in particular, mortgage loans) justified the maintenance of a strategy directed at reinforcing long-term funding. The degree of transformation of stable resources into loans was situated at 68.8 per cent..

## SUMMARY CONSOLIDATED FINANCIAL INFORMATION OF THE ISSUER

Set out below is a summary of unaudited consolidated financial information of the Bank which is derived from the audited consolidated statements of income for the year ended 31st December, 2006 and for the year ended 31st December, 2007 and the audited consolidated balance sheets as at those dates. This financial information was prepared in conformity with International Accounting Standards/International Financial Reporting Standards (“IAS/IFRS”) as adopted by the European Union in accordance with Regulation (EC) 1606 / 2002 of 19th July of the European Parliament and Council and incorporated into Portuguese legislation through Bank of Portugal Notice 1/2005 of 21st February.

### Consolidated Balance Sheets as at 31st December, 2006 and 31st December, 2007

#### NET ASSETS

	31st December, 2006	31st December, 2007
	(EUR thousand)	
Cash and deposits at central banks	559,940	1,126,396
Loans and advances to credit inst. repayable on demand	369,483	281,516
Financial assets held for trading and at fair value through profit and loss	4,345,057	4,591,411
Financial assets available for sale	3,064,911	3,925,400
Loans and advances to credit institutions	906,747	1,540,900
Loans and advances to Customers	24,630,086	27,230,513
Hedging derivatives	407,520	412,156
Other tangible assets	289,308	316,925
Intangible assets	8,803	15,453
Investments in associated companies and jointly controlled entities	141,768	150,960
Tax assets	133,366	141,371
Other assets	708,494	812,948
<b>Total assets</b>	<b>35,565,483</b>	<b>40,545,949</b>

#### LIABILITIES

	31st December, 2006	31st December, 2007
	(EUR thousand)	
Financial liabilities held for trading	201,847	534,669
Resources of other credit institutions	3,960,247	3,731,946
Resources of Costumers and other debts	16,235,505	20,621,866
Debt securities	5,464,566	5,341,855
Financial liabilities relating to transferred assets	3,368,059	3,008,159
Hedging derivatives	480,806	544,629
Provisions	54,869	72,853
Technical provisions	2,811,111	2,774,587
Tax liabilities	85,721	125,279
Participating Bonds	27,222	27,269
Subordinated Debt	588,890	930,834



Other liabilities	559,337	926,544
<b>Total Liabilities</b>	<b>33,838,180</b>	<b>38,640,490</b>

#### SHAREHOLDERS' EQUITY

	31st December, 2006	31st December, 2007
	(EUR thousand)	
Subscribed share capital	760,000	760,000
Share premium account	231,306	231,306
Other equity instruments	8,714	10,822
Revaluation reserves	126,356	54,975
Other reserves and retained earnings	67,091	253,132
(Treasury shares)	-51,659	-30,213
Consolidated net income of the BPI Group	308,758	355,111
<b>Shareholders' equity attributable to the shareholders of BPI</b>	<b>1,450,566</b>	<b>1,653,133</b>
Minority interest	276,737	270,326
<b>Total shareholders' Equity</b>	<b>1,727,303</b>	<b>1,905,459</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>35,565,483</b>	<b>40,545,949</b>

#### OFF BALANCE SHEET ITEMS

	31st December, 2006	31st December, 2007
	(EUR thousand)	
Guarantees provided and other contingent liabilities	3,321,665	3,613,745
Of which:		
(Guarantees and sureties)	(3,113,883)	(3,371,558)
(Others)	(207,782)	(242,187)
Commitments	4,297,180	5,106,926

#### Consolidated Statements of Income for the half-year ended 31st December, 2006 and 31st December, 2007

	31st December, 2006	31st December, 2007
	(EUR thousands)	
Interest and similar income	1,693,353	2,412,572
Interest and similar expense	-1,152,643	-1,804,578
<b>Financial margin (narrow sense)</b>	<b>540,710</b>	<b>607,994</b>
Gross margin on unit links	7,516	10,691
Income from equity instruments	14,747	22,291
Net commission relating to amortised cost	18,373	20,930
<b>Financial margin</b>	<b>581,346</b>	<b>661,906</b>
Technical result of insurance contracts	3,265	13,057
Commissions received	285,112	327,268
Commissions paid	-27,257	-34,531
Other income, net	44,008	49,866

<b>Net commission income</b>	<b>301,863</b>	<b>342,603</b>
Gain and loss on operations at fair value	65,275	13,645
Gain and loss on assets available for sale	44,332	123,302
Interest and financial gain and loss with pensions	14,216	60,593
<b>Net income on financial operations</b>	<b>123,823</b>	<b>197,540</b>
Operating income	24,004	20,026
Operating expenses	-12,251	-15,576
Other taxes	-3,964	-4,028
<b>Net operating expenses</b>	<b>7789</b>	<b>422</b>
<b>Operating income from banking activity</b>	<b>1,018,086</b>	<b>1,215,528</b>
Personnel costs	-339,228	-379,236
General administrative costs	-198,094	-228,641
Depreciation and amortisation	-39,042	-45,372
<b>Overhead costs</b>	<b>-576,364</b>	<b>-653,249</b>
Recovery of loans, interest and expenses	21,015	20,852
Impairment losses and provisions for loans and guarantees, net	-56,488	-112,265
Impairment losses and other provisions, net	-5,997	-18,330
<b>Net income before income tax</b>	<b>400,252</b>	<b>452,536</b>
Income tax	-100,273	-108,603
Earnings of associated companies (equity method)	22,069	27,985
<b>Global consolidated net income</b>	<b>322,048</b>	<b>371,918</b>
Income attributable to minority interest	-13,290	-16,807
<b>Consolidated net income of the BPI Group</b>	<b>308,758</b>	<b>355,111</b>

## MANAGEMENT, SUPERVISORY BOARD AND STATUTORY AUDITOR OF THE ISSUER<sup>2</sup>

### MANAGEMENT

The following is a list of the members of the Board of Directors and of the Executive Board of the Bank and reflects the principal activities of the members of the executive board outside the Bank. The business address of each of the above-mentioned members of the Board of Directors and the Executive Board is Banco BPI, S.A., Rua Tenente Valadim, 284, 4100-476 Porto, Portugal.

#### ***Board of Directors:***

*Chairman:* Artur Santos Silva  
*Deputy-Chairmen:* Carlos da Câmara Pestana  
Fernando Ulrich  
Ruy Octávio Matos de Carvalho

*Members:* Alfredo Resende de Almeida  
Allianz Europe, Ltd.  
António Domingues  
António Farinha de Morais  
António Lobo Xavier  
Armando Leite de Pinho  
Carlos Moreira da Silva  
Edgar Alves Ferreira  
Henri Penchas  
Isidro Fainé Casas  
José Pena do Amaral  
Juan Nin Genova  
Klaus Dührkop  
Manuel Ferreira da Silva  
Marcelino Armenter Vidal  
Maria Celeste Hagatong  
Pedro Barreto  
Roberto Egydio Setúbal  
Tomaz Jervell

*A description of the outside activities of the Board of Directors is incorporated into this Prospectus by reference. See “Documents Incorporated by Reference”.*

#### ***Executive Board:***

*Chairman:* Fernando Ulrich  
*Deputy-Chairman:* António Domingues

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<sup>2</sup> By the time this Base Prospectus was approved the commercial register referring to the corporate bodies of the Issuer for the term 2008/2010 was already filed and the respective register is expected any time soon.

*Members:* José Pena do Amaral  
Maria Celeste Hagatong  
Manuel Ferreira da Silva  
António Farinha de Morais  
Pedro Bissaia Barreto

Principal activities of the members of the Executive Board outside the Bank:

Fernando Ulrich:

- Chairman of the Board of Directors of BPI Investimentos
- Chairman of the Board of Directors of BPI Gestão de Activos – Sociedade Gestora de Fundos de Investimento Mobiliário, S.A.
- Chairman of the Board of Directors of BPI Pensões – Sociedade Gestora de Fundos de Pensões, S.A.
- Chairman of the Board of Directors of BPI Vida – Companhia de Seguros de Vida, S.A.
- Chairman of the Board of Directors of BPI Global Investment Fund Management Company, SA (Luxembourg)
- Chairman of the Board of Directors of BPI Madeira, SGPS, Unipessoal, S.A.
- Chairman of the Board of Directors of BFA – Banco de Fomento, S.A.R.L.
- Director of Semapa – Sociedade de Investimentos e Gestão, SGPS, S.A. (non executive)
- Director of BPI Capital Finance, Ltd. (Cayman Islands)
- Director of Banco BPI Cayman, Ltd
- Director of Petrocer, SGPS, Lda.
- Director of Viacer – Sociedade Gestora de Participações Sociais, Ltd.

António Domingues:

- Deputy-Chairman of the Board of Directors of BPI Investimentos
- Deputy-Chairman of the Board of Directors of BFA – Banco de Fomento, S.A.R.L.
- Deputy-Chairman of BCI – Banco Comercial e de Investimentos, SARL (Mozambique)
- Director of BPI Madeira, SGPS, Unipessoal, S.A.
- Director of SIBS – Sociedade Interbancária de Serviços, S.A.
- Director of Zon Multimédia, S.A.
- Director of Companhia de Seguros Allianz Portugal, S.A.

António Farinha de Morais:

- Chairman of the Board of Directors of Eurolocação – Comércio e Aluguer de Veículos e Equipamentos, S.A.
- Director of BPI Madeira, SGPS, Unipessoal, S.A.
- Director of Companhia de Seguros Allianz Portugal, S.A.
- Director of BPI Rent – Comércio e Aluguer de Bens, Lda.

José Pena do Amaral:

- Director of BFA – Banco de Fomento, S.A.R.L.
- Director of BPI Madeira, SGPS, Unipessoal, S.A.

Manuel Ferreira da Silva

- Director and Chairman of the Executive Board of BPI Investimentos
- Chairman of the Board of Director of Inter Risco – Sociedade de Capital de Risco, S.A.
- Director of BPI Madeira, SGPS, Unipessoal, S.A.

Maria Celeste Hagatong:

- Director of BPI Madeira, SGPS, Unipessoal, S.A.
- Director of CVP – Sociedade de Gestão Hospitalar, S.A. (non executive)

Pedro Bissaia Barreto

- Director of BPI Madeira, SGPS, Unipessoal, S.A.

## **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, the business address of whom is the Issuer's head office:

<i>Chairman:</i>	Abel António Pinto dos Reis
<i>Members:</i>	Jorge de Figueiredo Dias José Neves Adelino

The Supervisory Board's composition is deliberated in General Meeting, and it exercises functions for terms of three years.

## **FUNCTIONS**

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;
- Reviewing and overseeing the independence of the statutory auditor, namely whenever the statutory auditor provides other services to the Company.

## **FUNCTIONING OF THE SUPERVISORY BOARD**

The Supervisory Board shall meet at least every two months.

**PORTUGUESE STATUTORY AUDITOR**

Banco BPI Statutory Auditor (Revisor Oficial de Contas) is Deloitte & Associados, SROC, S.A., represented by Augusta Francisco. The alternate member is Carlos Luís Oliveira de Melo Loureiro.

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

### **THE RESIDENTIAL MORTGAGE BUSINESS OF BPI**

The residential mortgage business is one of the most important segments in the credit activity of BPI, representing about 35 per cent. of BPI's credit portfolio. BPI is an innovative bank and its offer of products and services is constantly updated in order to satisfy the client's needs and achieve the market's best practices. BPI pays special attention to the management of credit risk and its credit policy is constantly monitored against economic and market conditions.

### **ORIGINATION**

BPI's residential mortgage loans are originated mainly through the branch network but also via channels such as mortgage shops and real estate agents. BPI owns the largest specialised network in Portugal exclusively dedicated to mortgage loans made of 67 branches with mortgage corners and 18 mortgage shops.

### **LENDING CRITERIA**

Certain key features of the criteria applied prior to approval of any advance in respect of a mortgage loan to be comprised in the Cover Pool (the "Lending Criteria") are set out below. The Originator has the right to vary or waive the Lending Criteria from time to time in the manner of a reasonably prudent mortgage lender (a "Prudent Mortgage Lender") and the Originator may have waived or varied the Lending Criteria acting as a Prudent Mortgage Lender in respect of the mortgage loans to be comprised in the Cover Pool. Only underwriting staff expressly granted the authority to do so may approve applications for mortgage loans which vary from the Lending Criteria.

The key features of the Lending Criteria applicable to mortgage loans are as follows:

#### *Decision Criteria*

Credit approval is based on three criteria: (i) household disposable income has to be higher than certain minimum amounts defined according to the size of the household; (ii) the ratio of total monthly instalments to disposable income has to be below 50 per cent.; for this purpose the instalments are calculated by adding 1.25 per cent. to the applicable interest rate and disposable income includes salary and other sources of income that were certified by BPI; (iii) the loan to value ratio (LTV) has to be below certain values defined according to the type and term of the loan.

#### *Insurance Cover*

Life, disability and property insurance coverage is mandatory for all mortgage loans. Although uncommon among Portuguese banks, BPI requires the coverage of earthquake risk for all loans. Additional insurance coverage for unemployment risk, hospitalisation and coverage for late payment of salaries (in *Seguro de Protecção de Crédito*) is optional and for riskier credits (namely with a LTV higher than 90 per cent.) a mortgage credit insurance is mandatory.

#### *Centralised Real Estate Evaluation*

All proposals are subject to an evaluation of the property carried out by an independent evaluator. The results are received and controlled by the central services, which also scrutinise the performance of the independent evaluators.

### *Decision Levels*

There are six decision levels depending on the amount of the credit and the situation of the borrower and of any guarantor. Applications for mortgage loans which vary from the Lending Criteria are analysed one level above the originally applicable level.

## **UNDERWRITING**

The residential mortgage loan proposals are prepared at the network level by specialised personnel located at the branches and the mortgage shops. Real estate agents must always channel their proposal through a branch or mortgage shop (depending on the customer's choice), and the credit decision for these loans is made at DDC (*Departamento de Decisão de Crédito*) or in the commercial area.

All the information is registered in GPC (*Gestor de Propostas de Crédito* – management of credit applications). GPC allows the customer to have a preliminary decision, taking into account the rules and criteria in place at the time the proposal is analysed.

Once the proposal is pre-approved and the customer presents all required documents on income and identity, the branch verifies these documents and registers all the information in GPC. GPC automatically collects related credit information at the Bank of Portugal and BPI databases. All these elements allow the branches, mortgage shops and DDC (if applicable) to verify the information previously provided by the customer.

Once this stage is passed, BPI sends an independent evaluator to visit and evaluate the property. Results are received and verified centrally at DCH (*Departamento de Crédito à Habitação*). DCH then checks all documents including valuation report and insurance application, in order to assure compliance with the existing rules and procedures. All additional information is registered in GPC and, if everything is in order, the customer then receives a letter with the final approval.

After dealing with all the legal documents necessary for the contract, the client will sign the contract and BPI (DCH) then verifies all the public registrations regarding property and mortgage.

## **MORTGAGE PRODUCTS**

BPI offers a broad range of mortgage credit products in terms of applicable interest rate (fixed rate, EURIBOR index rate, capped rate), and different reimbursement profiles. The maximum term is 50 years and maximum LTV ratio is 100 per cent., but BPI requires additional protection for loans with a high LTV ratio, namely between 90 and 100 per cent. In 2007, for new loans, the average LTV ratio was 64 per cent., the average amount by contract was EUR 72,400 and the average term was 33.3 years. All mortgage loans, once fully drawn, must be repaid in monthly instalments of principal and interest and paid by direct debit to an account with BPI. If the customer is in the process of selling its permanent home, BPI offers the possibility of maintaining the original loan with the payment of interest only instalments until the sale is completed (maximum 3 years).

## **COLLECTIONS AND ARREARS PROCEDURES**

All collections including delinquencies, defaults, write-offs, recoveries, and foreclosure are dealt with at a central level within the loan management system (ODS).

ODS debits the customer account automatically. If there are not enough funds, the system will debit the amount available, with payment being made with the following priority: late payment fee, interest and principal. Simultaneously it automatically shows up at reports to the commercial department in which the customer is allocated. While a payment is in arrears, this procedure will be repeated everyday.

An initial letter is sent to customers who are in arrears for more than 8 days. After 38 days in arrears, BPI sends a second letter to the borrower and a letter to the guarantors. From the 20th day



onwards, the customer will be contacted personally or by phone through specialized staff from BPI's call centre. By the 68th day, a third letter is sent to the borrower and an additional letter to the guarantors, and, by the 130th day after the first delinquency, BPI sends a letter to the borrower and guarantors terminating the loan agreement, and warning that the legal process for judicial recovery will start. DRCCP (*Direcção de Recuperação e Contencioso de Crédito a Particulares*) then starts preparing the legal process. If all the efforts for solving the situation prove unsuccessful by the 150th day, the execution request is delivered to court and the loan is accounted in "credits under legal action". On average, the time to recover credits through sale or court order is around 27 months. During all the phases of the recovery process, BPI never stops the negotiation efforts in order to reach an extrajudicial agreement.

## **USE OF PROCEEDS**

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

## THE COVERED BONDS LAW

### FRAMEWORK

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

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

### ISSUERS OF COVERED BONDS

Mortgage covered bonds (“*obrigações hipotecárias*”) may be issued by credit institutions (the “**Institutions**”) legally authorised to grant credits guaranteed by mortgages over property and having own funds amounting to no less than €7,500,000. Institutions can either be universal credit institutions (“**Credit Institutions**”) or special credit institutions incorporated under the Covered Bonds Law specialising in the issuance of covered bonds (the “**Mortgage Credit Institutions**”).

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

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

If covered bonds are issued by a Mortgage Credit Institution backed by credits acquired from a third party originator, the cover assets must be transferred to the Mortgage Credit Institution and, if such Mortgage Credit Institution is wholly-owned by such originator, the assets and liabilities relating to the relevant issue of covered bonds and the related cover pool will be consolidated with such originator. However, it is also possible for a Mortgage Credit Institution to have multiple owners, in which case the issues of covered bonds and the allocated cover pool may or may not be consolidated with the originator of the relevant credits.

An Institution must manage its cover pool as well as any properties that it may acquire as a result of the enforcement of delinquent mortgage credits. Institutions may also 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 covered bonds have a special creditor privilege will be segregated from the insolvent estate of such Institution and will form a separate estate, i.e. an autonomous pool of assets managed in favour and to the benefit of the holders of covered bonds and other preferred creditors as specified in the Covered Bonds Law. In this respect, the Covered Bonds Law establishes a special regime which prevails over general Portuguese insolvency regulations.

If the cover assets are insufficient to meet interest and principal payments due on the covered bonds of the insolvent Institution, the holders of covered bonds will also rank *pari passu* with unsecured creditors of the Institution in relation to the remaining assets of the insolvent Institution.

## COVER ASSETS

The following assets are eligible to collateralise issues of covered bonds made by an Institution in accordance with the Covered Bonds Law:

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

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 per cent. of the aggregate value of the Cover Pool allocated as collateral to all Covered Bonds issued by the Issuer.

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

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

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

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

## **VALUATION AND LTV CRITERIA**

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

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

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

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

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

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

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

- The global nominal value of the outstanding mortgage covered bonds, irrespective of the fact those Covered Bonds are Zero Coupon Bonds or not, cannot exceed 95 per cent. of the global value of the mortgage credits and other assets at any time comprised in the relevant cover pool (i.e., a mandatory overcollateralisation of 5.2632 per cent.);
- The average maturity of outstanding mortgage covered bonds cannot exceed the average maturity of the mortgage credits and substitution assets allocated to the relevant issue of covered bonds;
- The total amount of interest to be paid by an Institution under any covered bonds shall not exceed, at any point in time, the amount of interest to be collected from the mortgage credits and other assets comprised in the cover pool backing the relevant issue of covered bonds – this means, therefore, that under the Covered Bonds Law cash flows from the cover pool must at all times be sufficient to meet all scheduled payments due to the holders of covered bonds;
- The net present value of the liabilities arising from issues of covered bonds pursuant to the Covered Bonds Law cannot exceed the net present value of the cover pool assigned to such

covered bonds, including any hedging contracts also comprised in the cover pool. This ratio must also be met for 200 basis points parallel shifts in the yield curve.

For the purposes of the calculation of the level of overcollateralisation, as well as of the remaining financial and prudential requirements, Institutions are required to use the following criteria:

- (i) the mortgage credits shall be accounted for the nominal value of their outstanding principal, including any accrued but unpaid interest;
- (ii) the covered bonds shall be accounted according to the nominal value of outstanding principal, irrespective of the fact those Covered 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 covered bonds are denominated in any currency other than euro, the Institution must use the exchange rates published by the ECB as a reference.

The Covered Bonds Law also contains rules regarding the management of the cover pool allocated to one or more issues of covered bonds, allowing the Institution, *inter alia*, to assign new mortgage credits to the cover pool. The Institution may also enter into irrevocable credit facilities for the provision of liquidity in connection with the liabilities arising under the covered bonds. The credit facility counterparty must have a minimum credit rating of “A-” or equivalent.

An Institution is entitled to enter into derivatives contracts to hedge interest, exchange rate and liquidity risks. These derivatives contracts are also included in the cover pool and the derivative counterparties (who also benefit from the special creditor privilege) have to be rated “A-” or above. If a particular issue of covered bonds is denominated in a currency other than euro, the Institution must enter into adequate hedging contracts for the purpose of hedging the relevant currency exchange risk.

If the limits and requirements established in the Covered Bonds Law are exceeded, the issuer is required to remedy the situation immediately by (i) allocating new mortgage credits, by (ii) purchasing outstanding covered bonds in the secondary market and/or by (iii) allocating other eligible assets.

Mortgage credits that become delinquent after being allocated to the cover pool may still remain in such cover pool provided that the delinquency period is not equal to or higher than 90 days, in which case such mortgage credits must be removed from the cover pool by the Institution and, if necessary to comply with the prudential requirements established in the Covered Bonds Law, substituted by new mortgage credits.

Mortgage credits underlying covered bonds may only be sold or pledged if the Institution allocates new mortgage credits to the covered bonds sufficient to maintain compliance with the financial and prudential requirements set forth in the Covered Bonds Law.

Instruction 13/2006 contains rules to be followed in respect of notices to the Bank of Portugal regarding the issue of covered bonds under the Covered Bonds Law. Prior to a first issuance of covered bonds, and on each subsequent issuance, an Institution is required to provide the Bank of Portugal with certain documentation and information, including a chart showing the detailed

composition of the autonomous pool of assets allocated to the covered bonds. On a monthly basis, the Institution is required to provide the Bank of Portugal with information on the number and amount of covered bonds outstanding and on any new issues of covered bonds and redemptions occurred.

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

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

Pursuant to the Covered Bonds Law, the independent auditor is required to issue an annual report covering the compliance by the issuer with the applicable legal and regulatory requirements.

Also, a common representative of the holders of the covered bonds – common to all mortgage or public covered bond issues – must be appointed by the Board of Directors of the Institution in order to represent the interests of the holders of covered bonds.

The Bank of Portugal and the CMVM carry out banking and capital markets supervision respectively.

#### **SEGREGATION OF COVER ASSETS AND INSOLVENCY REMOTENESS**

##### *Asset segregation*

The assets and hedging contracts allocated by the Institution to the issues of covered bonds will remain and be registered in separate accounts of the Institution. The register will be maintained in codified form and the code key will be deposited with the Bank of Portugal. If the holders of Covered Bonds decide to accelerate the relevant covered 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 Covered Bonds Law.

The assets included in the register maintained by the Institution will form a segregated estate over which the holders of the covered bonds will have a special creditor privilege (“*privilégio creditório*”), in particular in case of winding-up and dissolution of the Institution.

In the event of insolvency of the Institution, the assets allocated to one or more issues of covered bonds will be segregated from the corresponding insolvent estate and will be managed autonomously by a third party until full payment of the amounts due to the holders of covered bonds. In any case, and even if the Institution is declared insolvent, the Covered Bonds Law determines that timely payments of interest and reimbursements under the covered bonds shall continue to be carried out.

In the case of voluntary dissolution of an Institution, the plan for such dissolution and winding-up, which shall be submitted to the Bank of Portugal pursuant to Article 35-A of the Credit Institutions General Regime, shall identify a Substitute Credit Institution appointed to (i) manage the relevant cover pool allocated to the covered bonds outstanding, and (ii) ensure that the payments of any amounts due to the holders of such covered bonds are made. Such project shall also describe the general framework and conditions under which those actions will be rendered by the Substitute Credit Institution.

If the authorisation of an Institution to act as a credit institution in Portugal is revoked, the Bank of Portugal shall, simultaneously with the decision to revoke such authorisation, also appoint a Substitute Credit Institution to manage the relevant cover pool allocated to the covered bonds outstanding and to ensure that payments due to the holders of such covered bonds are made.

In accordance with Regulation 8/2006, any Substitute Credit Institution appointed by the Bank of Portugal to service the cover pool following insolvency of the Institution shall: (i) immediately

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

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

#### *Preferential status for covered bonds holders*

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

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

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

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

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

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



## TAXATION

### Portugal

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

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

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

The economic advantages deriving from interests, amortization or reimbursement premiums and other types of remuneration arising from Covered Bonds issued by private entities are qualified as investment income for Portuguese tax purposes.

#### General tax regime on debt securities

Investment income on the Covered Bonds paid to a holder of Covered Bonds (who is the effective beneficiary thereof (the “**Beneficiary**”)) considered resident for tax purposes in the Portuguese territory is subject to withholding tax at a rate of 20 per cent., except where the Beneficiary is either a financial institution or an exempt entity as specified by current Portuguese tax law. Regarding holders of Covered Bonds that are corporate entities, withholding tax is treated as a payment in advance and therefore holders of Covered Bonds are entitled to claim appropriate credit against any charge to tax which arises on the income from their holding of the Covered Bonds. Regarding holders of Covered Bonds that are individuals resident in the Portuguese territory, withholding tax shall be considered a definitive tax payment, unless the individuals choose to aggregate the investment income to the remaining income to be subject to the general IRS rates, in which case withholding tax will be treated as payment in advance.

Investment income on the Covered Bonds paid to Beneficiaries considered as non-residents in the Portuguese territory is also subject to withholding tax at a definitive rate of 20 per cent. Relief may be available to reduce the marginal rate in accordance with any applicable double taxation treaty, subject to compliance with all relevant conditions imposed by the taxing authorities in Portugal and the jurisdiction of the Beneficiary.

#### Special Debt securities tax regime

Pursuant to Decree-Law no. 193/2005, of 7 November 2005, as amended from time to time, (“**Decree-Law 193/2005**”), which is in full force and effect as from 1 January 2006, investment income paid to holders of Covered Bonds regarding the Covered Bonds, as well as capital gains deriving from a sale or other disposition of such Covered Bonds, will be exempt from Portuguese income tax, and consequently from withholding tax, provided that: (i) the holders of Covered Bonds have no residence, head office, effective management or permanent establishment in the Portuguese territory to which the income is attributable; (ii) they are not domiciled in a country, territory or region subject to a clearly more favourable tax regime included in the list approved by the Order issued by the Portuguese Minister of Finance and Public Administration (currently *Portaria do Ministro das Finanças e da Administração Pública* n. 150/2004, of 13 February 2004), with the

exception of central banks and agencies bearing governmental nature of those blacklisted jurisdictions; and (iii) they are non-resident entities who are not held, directly or indirectly, in more than 20 per cent. by Portuguese resident entities.

Decree-Law 193/2005 established the applicable instrument in respect of the provision of evidence of non-residence by the holders of Covered Bonds for the purpose of the above tax exemptions and that the absence of evidence of non-residence in relation to any non-resident entity which benefits from the above mentioned tax exemptions shall result in the loss of the tax exemptions and consequent submission to the applicable Portuguese general tax provisions.

In order to benefit from the taxation regime contained in Decree-Law 193/2005, the Covered Bonds must be integrated in centralized system for securities recognized under the terms of the Portuguese Securities Code (such as “*Central de Valores Mobiliários*” managed by Interbolsa) and complementary legislation.

Under Decree-Law 193/2005, the direct register entity (i.e. the entity affiliated to the centralised system where the securities are integrated), as the entity holding the relevant account with the relevant centralised system in which the Covered Bonds are integrated, will be under the obligation to obtain and maintain evidence that the effective beneficiary is a non-resident entity as set out below. As general rule, the evidence of non-residence by the holders of Covered Bonds must be provided to and received by the direct registration entities prior to the relevant date for payment of any interest or to the redemption date (for Zero Coupon Covered Bonds) and to the transfer of Covered Bonds, as the case may be.

**(a) Domestically Clearing Covered Bonds**

Each holder of Covered Bonds must provide to the direct register entity, the respective proof of non residence in Portuguese territory substantially in the terms set forth below.

- (i) If a holder of Covered Bonds is a central bank, public institution, international body, credit institution, financial company, pension fund, insurance company with its head office 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<sup>3</sup>; or (B) a certificate issued by the entity responsible for such supervision or registration confirming the legal existence of the holder of Covered Bonds and its head office; or (C) a declaration of tax residence issued by the holder of Covered Bonds itself, duly signed and authenticated, if a central bank, public law entity taking part on the public administration (either central, regional or peripheral, indirect or autonomous of the country of the relevant holder of Covered Bonds) or an international body; or (D) proof of non-residence, pursuant to the terms of paragraph (iii) below, so long as the holder of Covered Bonds provides the confirmation referred to in paragraph (iii) below. When the Covered Bonds are held by Central Banks or governmental agencies the respective proof of non-residence in Portugal is provided just once and its periodical renewal will not be necessary.
- (ii) If a holder of Covered Bonds is either an investment fund or a collective investment scheme 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

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<sup>3</sup> A document issued by the relevant tax authority which evidences the status of the holder of the Covered bonds as tax payer of the applicable jurisdiction, which may be a copy of pre-existing tax identification or other document of similar effect.

for its registration or supervision or by the tax authorities, confirming its legal existence, domicile and law of incorporation; or (B) proof of non-residence pursuant to the terms of paragraph (iii) below, so long as the holders of Covered Bonds provide the confirmation referred to in paragraph (iii) below.

- (iii) In any other case, information provided in accordance with the following rules: confirmation must be made by the relevant holder of Covered Bonds by way of (A) a certificate of residence or equivalent document issued by the relevant tax authorities, (B) a document issued by the relevant Portuguese Consulate certifying residence abroad, or (C) a document specifically issued by an official entity taking part of the public administration (either central, regional or peripheral, indirect or autonomous) of the relevant country; for these purposes, an identification document such as a passport or an identity card or document by means of which it is indirectly possible to presume the relevant tax residence (such as a work or permanent residency permit) are not acceptable.

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

**(b) Internationally Cleared Covered Bonds**

If the Covered Bonds are held through Interbolsa or any other centralised depository system for securities recognised under the Portuguese Securities Code and complementary legislation, and registered in an account with an international clearing system (in particular 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 or waiver of Portuguese withholding tax, and (ii) to non-resident entities for tax purposes which do not benefit from the above Portuguese income tax exemption, the proof of the requirements to benefit from the exemption is performed as follows:

- (i) Through presentation of a certificate, on a yearly basis, 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 from Portuguese 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 Order (“*Despacho*”) n. 4980/2006 (second series), published in the Portuguese official diary, second series, n. 45, of 3 March 2006 issued by the Portuguese Minister of Finance and Public Administration (currently “*Ministro das Finanças e da Administração Pública*”).

**CERTIFICATE FOR EXEMPTION FROM PORTUGUESE WITHOLDING 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. 90 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. 90 of CIRC (“*Corporate Income Tax Code*”) – Exemption from withholding tax
- Art. 9 of CIRC – State, Autonomous Regions, local authorities, their associations governed by public law and social security federations and institutions
- Art. 10 of CIRC – General Public Interest Companies, Charities and other non-governmental social entities; exemption by Ministerial Regulation no. ...., published in *Diário da República* .....
- Art. 14 of EBF (“*Tax Incentives Statute*”) – Pension Funds and assimilated funds
- Art. 21 of EBF – Retirement Savings Funds (FPR), Education Savings Funds (FPE), Retirement and Education Savings Funds (FPR/E)
- Art. 22 - A of EBF – Venture Capital Investment Funds
- Art. 24 of EBF – Stock Savings Funds (FPA)
- Other legislation (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 WITHHOLDING 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. 90 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. 14 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. 22 - A of EBF – Venture Capital Investment Funds
8	Art. 24 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 Covered Bonds that are tax exempt or benefit from a waiver of Portuguese withholding tax.

International clearing system managing entity shall inform the direct register entity of the income paid to each participant for each security payment.

No Portuguese withholding tax exemption shall be granted under DL 193/2005 if the requirements set forth therein are not complied with and, consequently, 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 Instruments within 90 days from the date the withholding took place. A special tax form for these purposes was approved by Order ("*Despacho*") no. 4980/2006 (2nd series), published in the Portuguese Official Gazette, second series, no. 45, of 3 March 2006, issued by the Portuguese Minister of Finance and Public Administration (currently "*Ministro das Finanças e da Administração Pública*") and may be available at [www.dgci.min-financas.pt](http://www.dgci.min-financas.pt).

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

### **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, Belgium, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries).

A number of non-EU countries and 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 by Law no. 39-A/2005, of 29 July 2005.

## SUBSCRIPTION AND SALE AND SECONDARY MARKET ARRANGEMENTS

The Dealers have, in the Programme Agreement dated 30 April 2008, agreed with the Issuer a basis upon which they or any of them may from time to time agree to purchase Covered Bonds.

Any such agreement will extend to those matters stated under “*Form of the Covered Bonds and Clearing Systems*” and “*Terms and Conditions of the Covered Bonds*”. In the Programme Agreement, the Issuer has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and any future update of the Programme and the issue of Covered Bonds under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

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

### **United States**

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

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

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

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

### **Japan**

The Covered Bonds have not been and will not be registered under the 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 Covered Bonds in Japan or to, or for the benefit of, any resident of Japan or to others for re-offering or re-sale, directly or indirectly, in Japan to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with the 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 it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to such Covered Bonds in, from or otherwise involving the United Kingdom.

## Italy

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

- (i) to professional investors (*“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; 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 Covered Bonds or distribution of copies of this Base Prospectus or any other document relating to the Covered Bonds in the Republic of Italy under (i) or (ii) above must be:

- (a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation no. 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 Covered 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 Covered Bonds to the public in that Relevant Member State:

- (a) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (b) at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000

- and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;
- (c) at any time to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
  - (d) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

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

For the purposes of this provision, the expression an “**offer of Covered Bonds to the public**” in relation to any Covered Bonds in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Covered Bonds to be offered so as to enable an investor to decide to purchase or subscribe for the Covered Bonds, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

### **Portugal**

In relation to the Covered Bonds, each Dealer represents and agrees with the Issuer, and each further Dealer appointed under the Programme will be required to represent and agree, that, except as permitted by the Programme Agreement: (i) it has not directly or indirectly taken any action or offered, advertised, invited to subscribe, gathered investment intentions, sold or delivered and will not directly or indirectly take any action, offer, advertise, market, invite to subscribe, gather investment intentions, sell, re-sell, re-offer or deliver any Covered Bonds in circumstances which could qualify as a public offer (“*oferta pública*”) of securities pursuant to the Portuguese Securities Code and other applicable securities legislation and regulations, notably in circumstances which could qualify as a public offer addressed to individuals or entities resident in Portugal or having permanent establishment located in Portuguese territory, as the case may be; (ii) all offers, sales and distributions by it of the Covered Bonds have been and will only be made in Portugal in circumstances that, pursuant to the Portuguese Securities Code, qualify as a private placement of Covered Bonds only (“*oferta particular*”); (iii) it has not distributed, made available or caused to be distributed and will not distribute, make available or cause to be distributed the Base Prospectus or any other offering material relating to the Covered Bonds to the public in Portugal; (iv) if the Covered Bonds are subject to a private placement addressed exclusively to qualified investors (“*investidores qualificados*”), such private placement will be considered as a private placement of securities pursuant to the Portuguese Securities Code; (v) private placements addressed by companies open to public investment (“*sociedades abertas*”) or by companies issuing securities listed on a market shall be notified to the CMVM for statistics purposes; (vi) it will comply with all applicable provisions of the Portuguese Securities Code and any applicable CMVM Regulations and all relevant Portuguese laws and regulations, in any such case that may be applicable to it in respect of any offer or sale of Covered Bonds by it in Portugal or to individuals or entities resident in Portugal or having permanent establishment located in Portuguese territory, as the case may be; notably, each Dealer has represented and agreed that it shall at all times comply with all applicable laws and regulations in force in Portugal, including (without limitation) the Portuguese Securities Code, the CMVM Regulations and the Prospectus Regulation implementing the Prospectus Directive, regarding the placement of any Covered Bonds in Portugal or to individuals or entities resident in Portugal or having permanent establishment located in Portuguese territory, as the case may be, including the publication of a Base Prospectus, when applicable, and that such placement

shall only be authorised and performed to the extent that there is full compliance with such laws and regulations.

### **General**

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

No action has been taken in any jurisdiction that would permit a public offering of any of the Covered Bonds, or possession or distribution of the Base Prospectus or any other offering material or any Final Terms, in any country or jurisdiction where action for that purpose is required.

Each Dealer 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 Covered Bonds or has in its possession or distributes the Base Prospectus, any other offering material or any Final Terms and neither the Issuer nor any other Dealer shall have responsibility therefor.

### **Secondary Market Arrangements**

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

## **GENERAL INFORMATION**

### **Authorisation**

The establishment of the Programme was duly authorised by a resolution of the Board of Directors of the Issuer dated 13 December 2007, in accordance with the provisions of the Covered Bonds Law.

### **Listing**

Application has been made to list the Covered Bonds on the regulated market Eurolist by Euronext Lisbon.

### **Clearing Systems**

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

### **Conditions for Determining Price**

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

### **Expected first issue of Covered Bonds**

The date for the first issue of Covered Bonds to be issued under the Programme is expected to occur between 30 April 2008 and 31 December 2008 provided (i) there is an agreement between the Issuer and the relevant Dealer(s) for such purpose, (ii) all regulatory approvals are obtained and (iii) the prevailing market conditions so allow.

### **Significant or Material Change**

Save as disclosed in this Base Prospectus, there has been no significant change in the financial or trading position of the Issuer since 31 December 2007 and there has been no material adverse change in the financial position or prospects of the Issuer since 31 December 2007.

### **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**

The auditors of the Issuer are Deloitte & Associados – SROC, S.A. (“Deloitte”), (which is 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, who have audited the Issuer's accounts in accordance with generally accepted auditing standards in Portugal for each of the three financial years ended on 31 December 2005, 31 December 2006 and 31 December 2007. The auditors' reports for the financial year ended 31 December, 2006 and 31 December 2007 consolidated financial statements of the Issuer were unqualified.



A summary of the auditors' report on the consolidated financial statements of the Issuer for the year ended 31 December, 2005 is as follows:

Emphasis paragraph related to the transition to IAS/IFRS, including the following main aspects:

- in 2005 the Issuer adopted for the first time the International Financial Reporting Standards adopted by the European Union ("IAS/IFRS") in preparing its consolidated financial statements;
- the Issuer followed the requirements of IFRS 1, in the transition process from the previous accounting policies (Chart of Accounts for the Portuguese Banking System or Plano de Contas para o Sistema Bancário ("PCSB") to IAS/IFRS, the transition date being 1 January 2004;
- the financial information as of 31 December 2004 and for the year then ended, resented previously in accordance with PCSB, has been restated for comparison purposes, to IAS/IFRS, except as regards IAS 32 (Financial Instruments: Disclosure and Presentation), IAS 39 (Financial Instruments: Recognition and Measurement) and IFRS 4 (Insurance Contracts), which were applied for the first time in the financial statements for the year beginning 1 January 2005, as allowed by IFRS; and
- the additional disclosures required regarding the transition process to the IAS/IFRS are included in Note 3 to the financial statements.

#### **Documents Available**

Copies of the following documents will, when published, be available for inspection at and may be obtained free of charge from the registered 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 2005, 31 December 2006 and 31 December 2007;
- (c) the most recently published audited annual consolidated financial statements of the Issuer and the most recently published unaudited interim consolidated financial statements (if any) of the Issuer (together with an English translation thereof);
- (d) the Programme Agreement and the Agency and Payments Procedures both dated 30 April 2008;
- (e) the Common Representative Appointment Agreement dated 30 April 2008;
- (e) this Base Prospectus;
- (f) any future prospectuses, offering circulars, information memoranda and supplements including Final Terms (save that Final Terms relating to Covered Bonds which are neither admitted to trading on a regulated market in the EEA nor offered in the EEA in circumstances where a prospectus is required to be published under the Prospectus Directive will only be available for inspection by a holder of such Covered Bonds and such holder must produce evidence satisfactory to the Issuer or the relevant Paying Agent as to its holding of

Covered Bonds and identity) to this Base Prospectus and any other documents incorporated herein or therein by reference; and

- (g) in the case of an issue of Covered Bonds subscribed pursuant to a subscription agreement, the subscription agreement (or equivalent document).

**Electronic copy of this Base Prospectus**

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

**Post issuance reporting**

The Issuer does not intend to provide post-issuance transaction information regarding Covered 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 other encumbrances or guarantees the benefit of which is vested in the Issuer as security for the repayment of a Mortgage Credit.

“**Agency and Payments Procedures**” means the set of agency and payments procedures (such agency and payments procedures as amended and/or supplemented and/or restated from time to time) dated 30 April 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. 264, Porto.

“**Arrangers**” means Bayerische Hypo- und Vereinsbank AG and Société Générale and any other entity appointed as an arranger for the Programme and references in this Agreement to the Arrangers shall be references to the relevant Arrangers.

“**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 – 6<sup>th</sup>, 1050-094, Lisbon.

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

“**Base Prospectus**” means this base prospectus dated 30 de April 2008 prepared in connection with the Programme.

“**Bearer Covered Bonds**” means any Covered 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).

“**Clearing Systems**” means Interbolsa, and/or Euroclear, and/or Clearstream, Luxembourg and/or, in relation to any Series of Covered Bonds, any other clearing system 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*.

“**Common Representative**” means BNP Paribas Trust Corporation UK Limited, in its capacity as representative of the holders of the Covered Bonds pursuant to Article 14 of the Covered Bonds Law in accordance with the Terms and Conditions and the terms of the Common Representative Appointment Agreement, having its registered office at 55 Moorgate, London EC2R 6PA, United Kingdom.

“**Common Representative Appointment Agreement**” means the agreement dated 30 April 2008 entered into between the Issuer and the Common Representative and which sets out the terms and conditions upon and subject to which the Common Representative has agreed to act as Common Representative.

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

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

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

“**Cover Pool Monitor**” means 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 – 6<sup>th</sup>, 1050-094, Lisbon.

“**Cover Pool Monitor Agreement**” means the agreement dated 30 April 2008 entered into between the Issuer and the Cover Pool Monitor.

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

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

“**Credit Institutions General Regime**” means Decree-Law no. 298/92 of 31 December, as amended from time to time.

“**CSD**” means a central securities depository.

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

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

- (i) if “**Actual/Actual (ICMA)**” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (ii) if “**Actual/Actual (ISDA)**” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (I) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (II) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (iii) if “**Actual/365 (Fixed)**” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;
- (iv) if “**Actual/365 (Sterling)**” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (v) if “**Actual/360**” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;
- (vi) if “**30/360**”, “**360/360**” or “**Bond Basis**” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360 calculated on a formula basis as follows:

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

where:

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

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

**"Dealers"** means ABN AMRO Bank N.V., London Branch; Barclays Bank PLC; Banco BPI; BNP Paribas; Calyon; Citigroup Global Markets Limited; Credit Suisse Securities (Europe) Limited; Deutsche Bank Aktiengesellschaft; Dresdner Bank Aktiengesellschaft; DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main; HSBC Bank plc; "la Caixa"; Landesbank Baden-Württemberg; Lehman Brothers International (Europe); Merrill Lynch International; Natixis; Nomura International plc; Société Générale; UBS Investment Bank and UniCredit (HVB).

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

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

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

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

**"Distribution Compliance Period"** means, in respect of Covered Bonds held through Euroclear and Clearstream, Luxembourg, the period that ends 40 days after the completion of the distribution of each Tranche of Covered Bonds, as certified by the relevant Dealer (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"**, "€" or "euro" means the lawful currency of Member States of the European Union that adopt the single currency introduced in accordance with the Treaty.

**"Euroclear"** means Euroclear Bank S.A./N.V.

**"Eurolist by Euronext Lisbon"** means the regulated market of Eurolist by Euronext Lisbon, 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 Covered Bond is issued;

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

**"Fitch Ratings"** means Fitch Ratings Limited.

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

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

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

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

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

“**Instruction 13/2006**” means the regulatory instruction (“*Instrução*”) no. 13/2006 issued by the Bank of Portugal relating to certain information duties applicable in relation to the issue of mortgage covered bonds in accordance with the Covered Bonds Law.

“**Interbolsa**” means Interbolsa – Sociedade Gestora de Sistemas de Liquidação e de Sistemas Centralizados de Valores Mobiliários, S.A. as operator of the Central de Valores Mobiliários.

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

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

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

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

“**Issuer**” means Banco BPI, S.A.

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

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

“**Moody's**” means Moody's Investors Service Ltd.



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

“**Mortgage Credit**” means pecuniary credits receivables which are not yet matured and neither subject to conditions nor encumbered, judicially seized or apprehended and which are secured by:

- (d) first ranking mortgages over residential or commercial real estate located in an EU Member State; or
- (e) junior mortgages but where all Mortgage Credits ranking senior thereto are held by the Issuer and are also allocated to the Cover Pool;
- (f) a personal guarantee granted by a credit institution or an appropriate insurance policy, in any case together with a mortgage counter guarantee evidencing (a) or (b) above.

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

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

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

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

- (a) deposits with the Bank of Portugal, in cash or in securities eligible for credit transactions in the Eurosystem;
- (b) current or term account deposits with credit institutions (which are not in a control or group relationship with the Issuer) having a rating equal to or higher than the minimum rating required at any time by the Rating Agencies, provided that such minimum rating shall in any event be at least «A-» or equivalent; and
- (c) other assets 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.

“**Overcollateralisation Percentage**” means 105.26 per cent. or such other percentage as may be selected by the Issuer from time to time and notified to the Cover Pool Monitor, provided that: (i) the Overcollateralisation Percentage shall not, for so long as there are Covered Bonds outstanding, be reduced by the Issuer below 105.26 per cent.; and (ii) without prejudice to (i) above, the Issuer shall not at any time reduce Overcollateralisation Percentage which applies for the purposes of Condition 15 if this could result in any credit rating then assigned to the Covered Bonds by any Rating Agency being reduced, removed, suspended or placed on credit watch.

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

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

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

“**Portuguese Securities Code**” means Decree-Law no. 486/99, of 13 November 1999, as amended from time to time.

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

“**Programme**” means the € 7,000,000,000 covered bonds programme established on 30 April 2008 for the issuance of Covered Bonds by the Issuer as described in this Base Prospectus.

“**Programme Agreement**” means the agreement dated 30 April 2008 entered into between the Issuer and the Dealers.

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

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

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

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

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

“**Prospectus Directive**” means Directive no. 2003/71/EC, of the European Parliament and of the Council, of 4 November 2003, as amended from time to time.

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

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

“**Rating Agencies**” means Moody's, S&P and Fitch as applicable.

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

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

“**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 Covered Bonds Law and the Bank of Portugal Regulations;

“**Registered Covered Bond**” means any definitive Covered Bond in registered form.

“**Regulation 5/2006**” means the regulatory notice (“*Aviso*”) no. 5/2006 issued by the Bank of Portugal and published on 11 October 2006, relating to the valuation of real estate assets serving as security for mortgage credits comprised in cover pools allocated to the issue of mortgage covered bonds in accordance with the Covered Bonds Law.

“**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 mortgage covered bonds in accordance with the Covered Bonds Law.

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

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

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

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

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

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

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

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

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

“**Substitute Credit Institution**” means the credit institution appointed in case of an Insolvency Event to manage the Cover Pool allocated to the outstanding Covered Bonds and to ensure the payments of the amounts due to the holders of such Covered Bonds.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

“**Value**” means:

- (a) in relation to a Mortgage Credit, (i) for the purpose of the Overcollateralisation Percentage, an amount equal to the book value of such Mortgage Credit entered on the Register,

together with any matured and accrued interest; and (ii) for the purpose of Loan to Value calculation, an amount equal to the book value of such Mortgage Credit entered on the Register;

(b) in relation to any Other Assets:

(i) the aggregate amount of any deposits together with any matured and accrued interest, as entered on the Register;

(ii) the value resulting from the rules regarding valuation of margins defined by the Eurosystem for securities eligible for Eurosystem credit transactions or, if lower, the nominal value of such securities, including matured and accrued interests.

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**COVER POOL MONITOR**

**Deloitte & Associados, SROC S.A.**  
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*To Banco BPI, S.A.*

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